

History and Economy of

# Azerbaijan from the past to 2030

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# Azerbaijan History

## FROM ANCIENT TIMES TO THE BEGINNING OF THE 20TH CENTURY

The Azerbaijani people who restored their independence in the late 20th century have ancient statehood history.

The historical Azerbaijani lands are some of the most ancient cultural sites of modern civilization. Archaeological finds discovered in Azykh, Taghlar, Damjili, Dashsalahli, Gazma caves and in other historical sites, including the lower jaw of the Azyk man - Azykhantrop, who lived 300-400,000 years ago, also prove Azerbaijan to be one of the sites of the formation of ancient human beings.

At the same time the people of Azerbaijan have the most ancient traditions of statehood. These traditions date back to 5,000 years. The first state establishments or ethnic-political units appeared in the Azerbaijani territory in the late 4th-early 3rd millenniums BC.

In the late 1st millennium BC-early 1st millennium AD, there were strongly organized states like Manna, Media, Atropatena and Albania in the Azerbaijani territories.

The state of Manna occupies a significant place not only in the history of statehood culture of Azerbaijan but also of the world. Manna was closely involved in all military and political events in the entire region and fought against its powerful neighbouring states of Ashshur and Urartu who were trying to invade Azerbaijan.

Cimmerians and Scythians as well as Sakas and Massageteans, who were of the same origin as Scythians, started to play an important role in the military and political life of Azerbaijan in the late 8th-early 7th century BC.

Neither long-term occupation of Ahameni-Iran empire nor invasions of Macedonian Alexander managed to destroy the statehood culture in ancient Azerbaijan. The Azerbaijani statehood was restored immediately after the death of Macedonian Alexander. The state of Atropatena appeared in the south of our country, while Albania emerged in the north.

In the early years, AD our country experienced one of the hardest periods of its history: it was occupied by Sasanian-Iranian Empire in the 3rd century and by the Arab Caliphate in the 7th century. They resettled a great number of Persian-speaking population and people of Arab origin in the Azerbaijani territories. Newcomers settled in the most fertile lands and militarily and strategically important regions. They were granted considerable privileges. But this did not destroy ancient statehood traditions in

Azerbaijan, and the process of formation of Azerbaijani nation continued. The internal relations, especially commercial ones developed between all regions of Azerbaijan because the entire country had been part of these empires over a long period of its history. That period saw a significant progress in the establishment of ethnic-political and cultural unification of north and south, eastern and western regions of Azerbaijan.

After the fall of the Caliphate, Azerbaijan restored its ancient statehood traditions starting from the middle 9th century: Sajid, Shirvanshah, Sallarid, Rawadid and Shaddadid states were established in Azerbaijan. That period marked a revival in political, economic, cultural and all other areas of life. The emergence of local states after the 600 year-long Sasanian and Arab rule, the spread of Islam across the country played a crucial role in Azerbaijan's development. But the states which were created after the fall of the Caliphate failed to become a single, sustainable, powerful state that would control the entire territory of the country and ensure political stability. Azerbaijan was absorbed into Seljuq Empire that stretched from the Central Asia to Mediterranean shores and from Derbent gateway to the Persian Gulf.

Shirvanshahs and Ildenizids who rose to power after the fall of Seljuq Empire played a crucial role in maintaining and developing the Azerbaijani people's statehood traditions. The state of Ildenizids, which grew into the most powerful state in the Near

and Middle East, occupies a significant place in the Azerbaijani people`s ethnic and political history.

Azerbaijan`s statehood culture was further enriched in the 15th-18th centuries when the states of Kara Koyunlu, Ag Koyunlu and Safavid that stretched over a large part of the East were controlled by Azerbaijani tribes. This important factor positively influenced the state`s internal and foreign relations and contributed to the expansion of the sphere of influence of Azerbaijani language and development of people`s material and moral culture.

In the late 15th-early 16th century, Azerbaijani statehood entered a new stage of its development as grandchild of Uzun Hasan, outstanding statesman Shah Ismail, managed to unite all Azerbaijani territories within a single state. With its capital in Tabriz, it was the Azerbaijani state of Safavid. The Safavid rule saw the Azerbaijani statehood culture develop even further. The activities and successful internal and foreign policy of Shah Ismayil, Shah Tahmasib, Shah Abbas and other rulers turned the Safavid state into one of the most powerful empires in the Near and Middle East.

Outstanding Azerbaijani ruler Nadir Shah who came to power after the fall of the Safavid state expanded the territory of the former empire. In 1739, he invaded Northern India, including



Delhi. But his plans to create a powerful, centralized state on this large territory failed. After the death of Nadir Shah, his empire fell.

In the second half of the 18th century, Azerbaijan was divided into small states – khanates and sultanates. The country entered a period of military and political crisis. Several khans` attempts to unite the country in a single state failed. This situation gave foreign invaders a chance.

Azerbaijan became a theatre of bloody wars between two powers. The territory of Azerbaijan was divided by two great empires under Gulustan (1813) and Turkmenchay (1828) treaties: the north of Azerbaijan was annexed to Russia, while the south to Iran which was ruled by Qajar.

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## THE FIRST REPUBLIC: AZERBAIJAN DEMOCRATIC REPUBLIC (1918-1920)

On May 28, 1918, the first democratic parliamentary republic in the Muslim East – Azerbaijan Democratic Republic – was proclaimed. The newly established Azerbaijan Democratic Republic did its utmost to honorably fulfill the historic mission that it undertook. The republic made great strides in building an independent, democratic state, creating the first parliament and government, state apparatus and governing institutions, defining the country's borders, establishing military units with high combat capability, ensuring territorial integrity and national security. It adopted the national flag, anthem and emblem, declared the mother tongue as a state language, focused attention on education and culture, and took other purposeful steps in order to ensure comprehensive development of the nation and national statehood in the years to come.

Guided by the principles of people power and equality from the very first days of its existence, Azerbaijan Democratic Republic eliminated racial, ethnic, religious and class inequalities by granting all citizens of the country the same rights. For the first time in the East and long before some European countries, women were granted the right to vote in Azerbaijan.

Unfortunately, Azerbaijan Democratic Republic had to make one of its first decisions under quite complicated conditions when the Armenian military units conducted ethnic cleansing policy against the Azerbaijanis and put forward territorial claims. That decision

was to concede Irevan to Armenia as its capital city as a compromise was reached as a result of the Batumi negotiations. This grave historic mistake paved the way for the next tragedies in the life of the Azerbaijani people, encouraging the continuous expansion of the Armenians.

On December 7, 1918, a solemn opening ceremony of the Azerbaijani parliament was held in H. Z. Taghiyev's school for girls (present day Institute of Manuscripts named after Muhammad Fuzuli). This was the first legislative body formed on the basis of the most progressive, democratic principles of that time in the entire Muslim East. The laws adopted during a year-and-a-half activity of the parliament contributed to the strengthening of the national independence, political, economic, cultural and educational development.

Azerbaijan Democratic Republic pursued a peaceful policy trying to establish mutually beneficial cooperation with all states and build relationships based on the principles of respect for each other's rights. It was thanks to the activities of Azerbaijan Democratic Republic that Azerbaijan became a subject of international law, which prevented its disappearance from the political map of the world as a state after the Bolshevik occupation in April 1920.

**THE SECOND REPUBLIC: AZERBAIJAN DURING THE SOVIET ERA (1920-1991)**

On April 28, 1920, Azerbaijan was occupied by the Bolshevik Russia. During the Soviet era, Azerbaijan's statehood faced serious challenges. In 1920-1922, Azerbaijan formally maintained its independence which was de-facto recognized by the international community. In March 1922, three republics of the South Caucasus (Azerbaijan, Georgia, Armenia) were united under a single state of the Transcaucasian Soviet Federative Socialist Republic (TSFSR) which completely ended formal independence.

During the Soviet period, the territories of Zangazur, Goycha provinces, part of Nakhchivan and other regions were seized from Azerbaijan and annexed to Armenia. The area of Azerbaijan Democratic Republic was reduced from 114,000 sq km to 86,600 sq km. In addition, on July 7, 1923, the Nagorno-Karabakh Autonomous Oblast (NKAO) was established on the initiative of the Bolshevik leaders, which was a first step towards separating Nagorno-Karabakh from Azerbaijan.

Azerbaijan's resistance to the Soviet authorities sparked heavy-handed and brutal response which was accompanied by exiles and repressions. During the repressions of 1937, the majority of representatives of the Azerbaijani intelligentsia who disagreed with the Soviet power were arrested under various pretexts or exiled to deserts and steppes of Siberia and Kazakhstan, many of them were executed.

The people of Azerbaijan demonstrated great heroism during the Second World War, and Azerbaijani divisions fought from the Caucasus to Berlin. Baku oil played a decisive role in achieving victory over fascism.

Heydar Aliyev`s coming to power in Azerbaijan on July 14, 1969, became a historic event that allowed the country to address many fateful challenges.

Large-scale measures aimed at developing the economy in the early 1970s and early 1980s, including the establishment of a number of industrial enterprises and state-of-the-art manufacturing facilities transformed the republic from an agrarian into an industrial one.

So despite all the restrictions, huge potential gained during the Soviet period, mainly in 1969-1982, was very crucial to Azerbaijan, which regained its independence at the end of the 20th century.

## THE THIRD REPUBLIC: THE REPUBLIC OF AZERBAIJAN

On October 18, 1991, when Azerbaijan gained its independence it declared itself the political and legal successor of Azerbaijan Democratic Republic and demonstrated its commitment to its ancient traditions of statehood. Soon it restored state symbols of Azerbaijan Democratic Republic.

The first years of independence were extremely difficult for the Republic of Azerbaijan. The country was significantly weakened by Armenia's expanding aggression, internal power struggle and collapse of the economy. Irresponsible activity of Popular Front-Musavat government brought Azerbaijan to the verge of collapse.

But national leader Heydar Aliyev's returning to power in 1993 marked a turning point in the situation. On June 15, 1993, Heydar Aliyev was elected as chairman of the Supreme Soviet of the Republic of Azerbaijan. That day went down into the history of Azerbaijan as National Salvation Day. On June 23, the Milli Majlis entrusted the presidential power to Heydar Aliyev. The people united much closer around their leader. On October 3, 1993, Heydar Aliyev was elected as President of the Republic of Azerbaijan. Independent state building, ensuring security and territorial integrity, restoration of the economy, democratic development, establishment of international relations of Azerbaijan and its integration into the world community were the key priorities of Heydar Aliyev's national development strategy.

It was Heydar Aliyev's salvation mission that allowed to preserve the state independence of the Republic of Azerbaijan. The national leader's tenure as president from 1993 to 2003 went down in Azerbaijan's history as a period of fundamental reforms.

The outcomes of 2003, 2008, 2013 and 2018 (early) presidential elections are clear examples of this support. The unity between the people and the government is the crucial factor in the development of independent Azerbaijan.

Today, Azerbaijan is one of the world's most competitive countries, and the enormous projects Azerbaijan has implemented jointly with its partners have redrawn Eurasia's energy and transportation map.

The people of Azerbaijan have a great heritage of statehood and are proud of their glorious past. They regard the freedom that they cherish and preserve like the apple of an eye as a historical milestone and demonstrate readiness to any sacrifice for the country's sovereignty and territorial integrity.

## Azerbaijan State Symbols

I. State symbols of the Republic of Azerbaijan shall be: the State Flag of the Republic of Azerbaijan, the State Emblem of the Republic of Azerbaijan, the State Anthem of the Republic of Azerbaijan.

II. The State Flag of the Republic of Azerbaijan shall consist of three wide stripes. The upper stripe shall be of blue color, the middle stripe shall be red and the lower one shall be green. There shall be a white crescent and eight-pointed star in the middle of the red stripe on both sides of the Flag. The proportion of the width to the length shall be 1 by 2.

III. The design of the State Flag of the Republic of Azerbaijan and the State Emblem of the Republic of Azerbaijan, and the music and the text of State Anthem the Republic of Azerbaijan shall be defined by the Constitutional Law.

### General Description

1.1. The State Flag of the Republic of Azerbaijan consists of three horizontal, rectangular stripes of equal width. The upper stripe is of blue color, the middle stripe is red and the lower one is green. The proportion of the width to the length of the stripes is 1 by 2.



1.2. There is a crescent and eight-pointed star in the center of the red stripe. The crescent and the star are white. The tips of the crescent face the star positioned at its right.

## Color and Scheme Description

2.1. Regardless of its size, the State Flag of the Republic of Azerbaijan must comply with the color and scheme descriptions attached.

2.2. In the preparation, correction, and printing of color images of the state flag of the Republic of Azerbaijan by industrial method, it must be ensured that its blue color shall comply with Pantone 306C color, red color with Pantone Red 032C color, and green color with Pantone 362C color of Pantone color book.

The tricolor flag of the Azerbaijan Democratic Republic was first adopted at a government meeting on 19 November 1918, and was raised over the building of the Council of Ministers of Azerbaijan Democratic Republic (presently, office of "Azneft" Production Union of the State Oil Company of the Republic of Azerbaijan) where the meeting was held.

The flag, which had a state status until 27 April 1920, the collapse of the Azerbaijan Democratic Republic, was lowered outside the

building of the Azerbaijan's Parliament on 3 May 1920, as a result of the occupation of Azerbaijan by the Soviet Russian troops.

Inherited from Azerbaijan Democratic Republic, the flag was approved as the national flag of Nakhchivan Autonomous Republic at the session held on 17 November 1990 on the initiative of chairman of the Supreme Assembly of the Nakhchivan Autonomous Republic, National Leader Heydar Aliyev. At the same time, the Supreme Assembly of the Nakhchivan Autonomous Republic appealed to the Supreme Soviet of Azerbaijan SSR to recognize the three colored flag as an official state symbol of Azerbaijan. On 5 February 1991, the Supreme Soviet of Azerbaijan Republic considered that application, and made a decision to recognize the three colored flag as a national flag of Azerbaijan.

Later the National Leader recalled: "I think that the decisions taken by the Supreme Assembly of the Nakhchivan Autonomous Republic had a great impact on the work of the Republic of Azerbaijan, and the Azerbaijani leadership was forced to adopt a number of this kind of decisions. In the Nakhchivan Autonomous Republic this flag flew on 17 November 1990, while in Azerbaijan Republic it flew on 5 February 1991."

The national flag of the Republic of Azerbaijan is a symbol of sovereignty of the Azerbaijani state.

The blue color of the national flag of the Republic of Azerbaijan has the meaning of Turkic origin of the Azerbaijani people, red color reflects the desire to establish a modern society, and develop democracy, and the green color shows belonging to the Islamic civilization.

Under the Order of the President of the Republic of Azerbaijan Ilham Aliyev dated 17 November 2009, November 9 each year marks the National Flag Day in the country.

Addressing the solemn opening ceremony of the National Flag Square in Baku on 1 September 2010, President of the Republic of Azerbaijan Ilham Aliyev emphasized the importance of the national flag: "Our flag is our source of pride. Our flag is our soul, our heart. Today, the national flag is flying in all parts of Azerbaijan. After the restoration of the territorial integrity of Azerbaijan, our national flag will also be raised in the lands which are still under occupation. Our flag will fly in Nagorno-Karabakh, Khankendi and Shusha. We must bring that day ever closer by our work every moment, and we do bring. Long live the Azerbaijani flag!" he said.

In April 2016, the glorious Azerbaijani Army, as a result of a successful counter-offensive military operation, raised the flag of Azerbaijan at the Lalatepe height. After that, Azerbaijan's national flag flew in Jojug Marjanli, where the people could safely live after it was retaken from Armenian occupation. Under the orders of the

President of the Republic of Azerbaijan, Jojug Marjanli was restored in a short time, and the "Return Program" of internally displaced persons to their native lands was launched.

Highly appreciating the Azerbaijani army's services in April victory in 2016, President of the Republic of Azerbaijan Ilham Aliyev said: "April battles should be put into military textbooks. From the view point of both professionalism and patriotism, the April battles once again demonstrated that the people of Azerbaijan are heroic people ... April battles are our glorious military victory, the victory showing the strength of our state, our people and our army. As a result of the April fights, the flag of Azerbaijan is flying today in the territories of Fuzuli, Jabrayil and Aghdara districts that are liberated from occupation. These battles show that the people and state of Azerbaijan will never reconcile with the occupation and restore the territorial integrity of the country at any cost ... We will return to the occupied lands. This is our main task. As today we see our flag lying in the lands that were liberated last year, the flag of Azerbaijan will also be raised in all other still occupied territories."

The President of Azerbaijan, Victorious Commander-in-Chief Ilham Aliyev hoisted our flag in the city of Shusha on 15 January 2021, and during the meeting with the military personnel said: "At the opening of the splendid State Flag Square in Baku I once said that the day would come when we raise our Azerbaijan's flag in the then occupied territories, including Shusha. That day has

come. We have arrived as victors and raised our flag.  
Azerbaijan's flag is flying high across all the liberated lands.”

The State Emblem of the Republic of Azerbaijan is the symbol of independence of the Azerbaijani state.

The modern state emblem is a modified version of a draft coat of arm, which was created during the Azerbaijan Democratic Republic.

On 30 January 1920, the government of Azerbaijan Democratic Republic announced a competition on the best state emblem of Azerbaijan and made a decision that a sample of the emblem that wins the competition will be adopted on 28 May the same year. However, due to the collapse of the Azerbaijan Democratic Republic on 28 April 1920, it was impossible to adopt a decision relating to the National Emblem.

On 17 November 1990, the Supreme Assembly of the Nakhichivan Autonomous Republic, after having discussed the issue relating to the national emblem, appealed to the Supreme Soviet of Azerbaijan SSR on announcement of a new competition for the preparation of the national emblem of Azerbaijan.

The competition was announced on 5 February 1991, under the decision of the Supreme Soviet of Azerbaijan Republic. On 19 January 1993, under the Constitutional Law, one of the draft coats of arm developed in 1919-1920, with certain changes, was adopted as the State National Emblem of the Republic of Azerbaijan.

The Constitutional Law of the Republic of Azerbaijan on “Adoption of Description of State Emblem of the Republic of Azerbaijan” was passed on 2 November 2018.

## General Description

1.1. The State Emblem of the Republic of Azerbaijan represents an image of oriental shield placed on the arch composed of oak branches and ears.

1.2. On the shield, against the background of colors of the State Flag of the Republic of Azerbaijan, there is an image of an eight-pointed star and in the center of the star there is an image of flame. In the colored description of the State Emblem of the Republic of Azerbaijan, the star is white, the flame is red, the oak branches are green, the ears are yellow, and the rims of the shield and the star, as well as rivets (8 pieces) and oak galls (5 pieces) are golden.

## 2. Article 2: Color, Colorless and Scheme Description

2.1. Regardless of its size, the State Emblem of the Republic of Azerbaijan must comply with the color, colorless and scheme descriptions attached.

2.2. In the preparation, correction, and printing of color images of the State Emblem of the Republic of Azerbaijan by industrial method, it must be ensured that the red color of the flame shall comply with Pantone 032C, green of oak branches shall comply with Pantone 7729C, yellow of the ears shall comply with Pantone 7548C, golden of the rims of the shield and the star, as well as rivets and oak galls shall comply with Pantone 111C color of Pantone color book.

# The State Anthem

Music by: Uzeyir Hajibayli

Words by: Ahmad Javad

Azerbaijan, Azerbaijan!

You are the country of heroes!

We will die so that you might be alive!

We will shed our blood to defend you!

Long live your three-colored banner!

Thousands of people sacrificed their lives

You've become the field of battles.



Every soldier fighting for you,

Has become a hero.

We pray for your prosperity,

We make sacrifice our lives to you

Our sincere love to you,

Comes from the bottom of our hearts.

To defend your honor,

To hoist your banner,

All the young people are ready.

Glorious motherland,

Azerbaijan, Azerbaijan!

“Azerbaijan March”, with music by Uzeyir Hajibayli and lyrics by Ahmad Javad, to be adopted a State Anthem of the Republic of Azerbaijan On 30 January 1920, the government of Azerbaijan Democratic Republic adopted a resolution on preparing the state anthem of the Republic. In this regard, the Ministry of Public Enlightenment announced a competition for the best state anthem. However, due to the fall of ADR on 28 April 1920, the state anthem of Azerbaijan was not adopted.

On 27 May 1992, the Azerbaijani Milli Majlis adopted the law "On the state anthem of the Republic of Azerbaijan", which approved the "Azerbaijani march", composed by the great composer Uzeyir Hajibayli and written by poet Ahmad Javad, as the state anthem of the Republic of Azerbaijan.

The Regulations on the state anthem of the Republic of Azerbaijan were approved by the Decree of the Milli Majlis of the Republic of Azerbaijan dated 2 March 1993. In 2000-2004, the amendments were made to the Regulations.

On 2 November 2018, the music and lyrics of the State Anthem of the Republic of Azerbaijan were approved by the Constitutional Law of the Republic of Azerbaijan.

On 19 February 2019, the Law 1512-VQ on “Regulations Governing the Use of the State Anthem of the Republic of Azerbaijan” was passed. Under the document, it is obligatory that the state anthem is performed in the following cases:

- At the beginning and end of the sessions of the Milli Mejlis of the Republic of Azerbaijan,
- When the President of the Republic of Azerbaijan arrives to the sessions of the Milli Majlis of the Republic of Azerbaijan,
- At the opening and closing ceremonies of solemn events and meetings,
- On the occasion of national holidays,
- Every day at the beginning and end of the national television and radio programs,
- On the occasion of significant historical events in the life of the Azerbaijani people, during the opening of monuments and plaques for prominent political, state and military leaders, national heroes, scientists, literature and art figures,
- During the flag raising ceremony at the events held by state and public institutions, entities, bodies and organizations, and during other solemn ceremonies,
- Other cases demanding obligatory performance of the state anthem of the Republic of Azerbaijan may also be envisaged by the legislation of the Republic of Azerbaijan,

- After the playing of the state anthem of the visiting country during ceremonies to welcome/see off heads of state and government of foreign countries who visit the Republic of Azerbaijan for official meetings.

The law stipulates other cases and rules for performing the State Anthem of the Republic of Azerbaijan. The music (partiture) of the State Anthem is to be performed in its entirety, by orchestra, choir or orchestra-choir, other vocal means and instruments, and audio devices.

During the performance of the State Anthem of the Republic of Azerbaijan, the citizens of the Republic of Azerbaijan must stand to attention and listen to the anthem to the end or sing along.

During the performance of the State Anthem of the Republic of Azerbaijan, foreigners or stateless persons must stand to attention and listen to the anthem to the end.

Hailing the peculiarities of the anthem, national leader Heydar Aliyev said: "We must love our state anthem, and our flag as much as we love ourselves. Because it is a symbol of loyalty, love and affection to our homeland, our nation, and our state."



## Order of the President of the Republic of Azerbaijan on approval of “Azerbaijan 2030: National Priorities for Socio-Economic Development”

Independent Azerbaijan is experiencing a historic turning point in its economic, social, political, and cultural development.

Purposeful socio-economic reforms implemented in the country during this transitional period have ensured a strengthening and modernization of the national economy. Over the past 17 years, our country's economy has more than tripled on the basis of dynamic development, a strong socio-economic infrastructure has been created, and the level of poverty has significantly decreased within the context of positive demographic growth. Existing financial opportunities have reached a historic peak and we have strengthened our position among the upper-middle-income group of countries.

Our growing economic power has allowed Azerbaijan to initiate major projects which can change the economies of the South Caucasus and surrounding regions. As a locomotive of the regional economy, our country has become one of the world's most reliable partners in energy security. All of this has increased the economic role of Azerbaijan in the region, laying a solid foundation for its resistance to external influences and the restoration of its sovereignty as an independent state.

Economic advantages have been gained, socio-political and socio-economic foundations have been formed over many years, and the country's military power has increased. These achievements were transformed into a historic victory that resulted in the liberation of our lands from occupation and the restoration of our territorial integrity. The guarantee of the political and economic sovereignty of Azerbaijan within the historic Declaration signed on November 10, 2020 creates ample opportunities for maximal use of the existing economic potential of the liberated territories to the benefit of our nation. This victory will present new opportunities in the coming years alongside systematic and sustainable reforms.

At the same time, our effective fight against the coronavirus pandemic, a global disaster, coupled with our practice of solidarity for the common good and our restoration of territorial integrity strengthens the necessary foundations for profound, large-scale reforms. Due to the reforms carried out in previous years, our country's socio-economic potential has expanded and our economy's resilience to external shock has grown. The implementation of socio-economic activities and the ensuring of our territorial integrity have laid a solid base from which Azerbaijan will eventually move to a higher quality state of development, effectively becoming a fast-growing, highly prosperous, leading state of the world.

The independent and sovereign state of Azerbaijan is entering a strategic phase, one which is qualitatively new to the post-

pandemic and post-conflict era and which spans from 2021 to 2030. In these new times, characterized by the restoration of the country's territorial integrity, deep structural and institutional reforms must further increase the power of the Azerbaijani state via the discovery of sources of high economic growth, the establishment of a more prosperous society, and the historical return to liberated regions with permanent resettlement therein.

Global economic realities, in addition to the goals set for our new stage of development, require definitions of the country's long-term development vector, of our main pathways to socio-economic development, and of corresponding national priorities.

Guided by paragraph 32 of Article 109 of the Constitution of the Republic of Azerbaijan, in order to achieve the goals we face in this new strategic period, and in order to form an appropriate policy and reform framework, I hereby decide:

1. To approve “Azerbaijan 2030: National Priorities on Socio-Economic

Development” (enclosed)

2. For the Cabinet of Ministers of the Republic of Azerbaijan:



2.1. To prepare and submit to the President of the Republic of Azerbaijan within nine months the draft "Strategy of Socio-Economic Development in 2021-2025" in accordance with the National Priorities (hereinafter - the National Priorities) approved by Part 1 of this Order

2.2. To ensure the following when preparing the draft "Strategy of Socio-Economic Development in 2021-2025":

2.2.1. Effective cooperation with leading international organizations and specialized consulting companies

2.2.2. Involvement of relevant state bodies (institutions), scientific organizations, specialists, and civil society institutions

2.3. To inform the President of the Republic of Azerbaijan once a year about work done in regards to the implementation of the National Priorities

2.4. To resolve other issues arising from this Order

3. Relevant state bodies (institutions) shall take necessary measures in order to fulfill the tasks arising from the National Priorities.

## Azerbaijan 2030: National Priorities of Socio-Economic Development

### A POWERFUL STATE WITH EXEMPLARY SOCIAL WELFARE

Despite the difficult period in our history that we experienced at the end of the 20th century, our country, Azerbaijan, has been recognized by the world as a provider of a stable, safe, and modern standard of living. We have confidently traversed a long evolutionary path in our socio-economic and cultural life. The international prestige of our country has significantly increased, our traditions of statehood in society have been strengthened, and a modern socio-economic infrastructure has been successfully constructed. Strong financial opportunities, rooted in economic development, have contributed significantly to macroeconomic stability and growth over the years, creating powerful bases of security.

The reintegration into the general economy of our territories recently liberated as a result of the victory over occupation as well as the harnessing of the possibilities for new international and regional transport and logistics corridors will give great impetus to the development of Azerbaijan. In defining the overall economic architecture of greater Karabakh, it is clear that regional formations of security, stability, prosperity, and mutually beneficial cooperation, coupled with the development of trade and economic

ties, will further enhance the role of Azerbaijan as a leader state in the South Caucasus.

Successful socio-economic and political achievements as well as national and multicultural values instill confidence that the power of Azerbaijan, a crossroads connecting East and West, will continue to grow in the coming years. These opportunities guarantee the strengthening of the economic sovereignty of Azerbaijan and its transformation by 2030 into a powerful state, a society of high social welfare based on a modern standard of living. To further improve the welfare of the country's population, the Azerbaijani state has chosen the path of developing a socially-oriented market economy.

The acceleration of economic growth, based on high, sustainable, inclusive, and most importantly, private initiatives, constitutes the ideological core of Azerbaijan's new development highway, and ensures both a constant increase in the level of national social welfare and the return of populations to recently liberated territories.

For the long-term sustainable and accelerated development of our country, successful connections within the society-business-state triad must be strengthened. The following will be key factors in our economic recovery: effective and efficient management of the state's role in the economy via market-oriented reforms, bolstering of private institutions, government-friendly business

management, and further liberalization of trade practices for the increase of local products sold to foreign markets. Creative and innovative development of private initiatives in the country will ensure that our economic resources are directed to areas that create higher added value.

The implementation of these goals requires the formation of an effective framework of macroeconomic policy, one which enables sustainable macroeconomic stability and strengthens the medium- and long-term driving forces of economic development: the modernization of human capital, the expansion of the digital economy, and the full provision of economic sovereignty.

Over the next decade, the following five National Priorities of the country's socio-economic development should be implemented:

1. a steadily growing, competitive economy
2. a dynamic, inclusive society based on social justice
3. areas of modern innovations and competitive human capital
4. the great return to the territories liberated from occupation

## 5. a clean environment and country of “green growth”

The above-mentioned National Priorities are of particular importance to the fulfillment of our commitments arising from “Transforming our world: the 2030 Agenda for Sustainable Development” of the United Nations.

### 1. A STEADILY GROWING, COMPETITIVE ECONOMY

Long-term economic growth must be healthy and balanced. Such growth will create a solid foundation for the sustainable development of our country. To effectively implement this priority, the following two objectives must be met:

stable and high economic growth

resistance to internal and external influences

#### 1.1. Stable and high economic growth

Economic growth is one of the main factors affecting the lives of our citizens. From sustainable economic growth and high rates of its development, a high level of national income per capita in the country should be achieved. Economic growth via the creation of

high-income jobs should provide annual improvements in living standards.

We must find new "driving forces" conducive to sustainable economic growth, deep diversification of the national economy, and the full realization of the export viability of goods and services. Although the oil sector is one of the pillars of our socio-economic development, the non-oil economy should be harnessed as the center of development. Economic growth must pivot on innovative and effective private initiatives. There is a need to strengthen public-private cooperation, to further revitalize the bustling private sector, and to increase the private sector's share in financing the non-oil sector.

In order for the private sector, especially small- and medium-sized businesses, to become the main source of economic growth and employment, it is necessary to significantly improve business environments, to increase the transparency of the judicial system, and to prevent unfair competition. The implementation of a new and transparent privatization strategy is needed. The cost-effectiveness of business incentive mechanisms must be improved. Tax and customs policies should serve to stimulate entrepreneurial activity, while creating adequate opportunities to meet the expenditures of the state budget.

It is necessary to accelerate the development of both the capital market and the insurance market as main avenues of long-term

investment resources of the economy. It is necessary to ensure the stability of the national banking sector, to increase confidence in it, to expand the share of banks in financing the real economy, and to give impetus to the development of entrepreneurial activity. Furthermore, the launch of real mechanisms working to ensure the availability of bank loans for entrepreneurship and to remove bureaucratic obstacles to the issuance of secure bank loans is vital.

We must ensure the attraction of direct, foreign investment into the country's economy, including that of strategic investors into infrastructural sectors. However, at the same time, the focus should be on the protection of the country's national interests and effective regulation of investments by maintaining an environment which enables competition with foreign investors.

It is essential that we enhance the economic efficiency of public investments and the activities of state-owned companies as well as increase the level of transparency in these areas. It is necessary to create the groundwork for the operation of state-owned companies on a commercial basis and to implement corporate governance standards, by taking into account the best international practices and ensuring an increase in the level of profitability.

The shadow economy must be minimized and the level of transparency in both the private and public sectors must be

brought to the highest standards. In economic management, the use of a modern culture of corporate behavior should be expanded and encouraged, the fight against corruption should be strengthened, and a modern civil service system including ethics should be upheld, one that meets modern challenges.

## 1.2. Resistance to internal and external influences

Since our national economy is an integral part of the global economy, it can be influenced by the external environment. For this reason, it is very important for our future to bolster the economy's resilience to internal and external influences, and to further strengthen macroeconomic stability. In order to enhance this macroeconomic stability and resilience in the country, we must form a fiscal framework based on budget rules reflecting new realities.

Only a diversified economy can be sustainable. For this, the main goal is to achieve an increase in the share of non-oil sectors of the economy.

One of the pillars of resilience to external influences is the state's foreign exchange reserves, another is disciplined borrowing. To keep our foreign currency reserves at a stable level, the share of transfers from the State Oil Fund to the state budget should be gradually reduced. Aggregate debt should serve toward



macroeconomic stability, including government budget stability. Domestic debt management should support the development of financial markets in the country. It is essential that we maintain a stable level of external public debt, strengthen control over borrowing by state-owned companies, and, accordingly, organize the management of public and quasi-public debt.

Low and stable prices, which are the main criteria for macroeconomic stability, must be ensured. Such stability should improve expectations in the economy, protect household savings from depreciation, and increase investment. Price stability must be ensured via a more efficient anchor. Sustainable financial stability, which is another important criterion for macroeconomic stability, must ensure the continually efficient and effective functioning of financial markets, increased financial depth, and increased access to finance. There is a need to improve the institutional governance framework that ensures macroeconomic and financial stability.

## 2. A DYNAMIC, INCLUSIVE SOCIETY BASED ON SOCIAL JUSTICE

Sustainable and high economic growth must serve the formation of a dynamic and inclusive society, and every citizen must feel this development in his or her life. People's access to economic opportunities must be equal and fair, regardless of their social

status and place of residence. This priority can be successfully implemented based on the following three goals:

benefits to every citizen from development

greater and fairer social security within an inclusive society

balanced development of both the capital and regions

## 2.1. Benefits to every citizen from development

An important factor in greater development is not only economic growth, but also the social well-being of all members of society. As the economy expands, it is necessary to develop and ensure a decent level of wealth and income for citizens, including wages, and the growth of wages must be consistent with the growth of labor productivity.

Rising incomes in the country should create even greater economic opportunities, provide effective and decent employment for all groups of the population, and in particular, improve women's access to economic opportunities.

Incentives should be created in order to increase the share of the private sector in employment, and this share of private sector employers should be dominant.

Sustainable economic development must ensure equitable distribution of income and improve the socio-economic well-being of low-income citizens and residents. It is necessary to determine the volume of existent informal employment and take comprehensive measures to prevent it as well as legalize certain bases of income.

## 2.2. Greater and fairer social security within an inclusive society

All sections of the country are an integral part of society, and the state must take care of them. Minimizing poverty and low unemployment as well as expanding the scope of need-based assistance to the poor create additional opportunities for the social protection of citizens.

A more effective and equitable social security system should strengthen such protections for the poor and vulnerable to poverty and for people with disabilities, including minors with health-related setbacks. To this end, a decent level of minimum monthly pensions and other social benefits must be achieved in our country.

For the long-term development of the pension system, it is necessary to strengthen its financial stability as well as increase the proportionality between the size of pensions and the paid insurance fee. The required social rehabilitation infrastructure should be accessible to persons with disabilities, including minors thus afflicted. Employment support programs for these persons should be expanded and their social security should be strengthened. A system of social services should be provided in order to meet the interests of such socially vulnerable groups and create equal opportunities for their participation in society.

### 2.3. Balanced development of the capital and regions

In the past, the capital of our country developed faster than the regions. In the long term, our main goal is to bring regional development in line with that of the capital. All of the necessary economic and social infrastructure has been established in our regions. To further increase economic activity in these places, the available labor force and all resources must be fully involved in their economic turnover. Regional, fast-paced development must be accompanied by people's access to quality economic opportunities and physical infrastructure. The regions should have living standards comparable to those of the capital. This will ensure an increase in regions' shares of the national income.

## 3. AREAS OF MODERN INNOVATIONS AND COMPETITIVE HUMAN CAPITAL

Within the context of the revolutionary, technological transformations observed in the world economy in recent years, competition between countries has intensified. A promising life will be characterized by deep digitalization, the active introduction of new technologies, and the rapid development of the most modern areas without the use of human labor.

In order to be prepared for growing, worldwide competition in the coming years, the priority of each country is its formation of highly competitive human capital. The main prerequisites for this are a modern educational system, an environment that enables and encourages innovation, and sound human health.

To successfully implement this priority, the following three goals must be achieved:

education in accordance with the requirements of the XXIst century

a creative and innovative society

healthy lifestyles of citizens

### 3.1. Education in accordance with the requirements of the 21st century

To withstand the ever-increasing competition in the world, long-term development of the economy must rely on a modern and strong educational system. Via education, it is vital that we steadily increase the share of human capital participation in national wealth. In the current strategic period, special importance should be given to “lifelong learning” based on the harmonious development of competencies, social skills, and abilities. Early and preschool education, under plans for expansion, should gradually cover all children of the appropriate ages.

To strengthen general education, which is the guarantor of the development of society, we must continue the modernization to take place in the educational system, to deepen reforms of its content, and to develop integrative educational practices. On this basis, it is crucial that we achieve a significant improvement in the country's position in international assessments (PISA, PIRLS, TIMSS, ICILS).

Our system of education should be focused on instilling digital competencies in new generations from school age onward, in order to prepare them for the up-and-coming era of digital technologies and teach them new skills, specialties, and professions that are fundamentally different from those of yesteryear.

People's access to quality education must be expanded. Training of personnel needs to be adapted to the requirements of the labor market, and as per measures to develop the vocational training system, it is necessary to prepare specialists for international certification.

In order to create human capital possessing highly professional skills through a strong education, the international competitiveness of higher education institutions must be ensured in a measurable fashion.

### 3.2. Creative and innovative society

In the future, a digitally-focused society that supports cutting edge technology industries and innovation will be our driving force for development. To maintain our country's competitiveness, it is now essential that we build an ecosystem which stimulates creativity and innovation in all sectors.

The ecosystem to be built in the new era (melding appropriate incentives, incubation and acceleration centers, financing models based on public-private cooperation, venture capital, crowdfunding institutions, etc.) should be aimed at increasing the technological capacities of the economy. In hand with flexible adaptation to the rapid technological progress unfolding in the

world, is the necessity to create prospects for morphing into a space of technological exports. To this end, it is crucial that we deepen the development of the manufacturing industry in order to ensure the development of highly profitable science-intensive medium- and high-tech industries. Competitive funding mechanisms should be established in order to promote results-based research.

### 3.3. Healthy lifestyles of citizens

We must ensure the longevity and healthy lifestyles of our citizens. These are important for ameliorating their social well-being and increasing their productive activity. Health and longevity will directly depend on the quality of the country's health care system. The share of quality health care services in the formation of national income should be increased by achieving high results in the implementation of modern innovations in this field.

An increase in life expectancy should be achieved through quality healthcare and healthy lifestyles.

## 4. THE GREAT RETURN TO THE TERRITORIES LIBERATED FROM OCCUPATION



Ensuring the territorial integrity of Azerbaijan occupies an important place in the centuries-old history of our people. By restoring state borders, the Azerbaijani people have achieved the greatest victory in the military and diplomatic spheres of the past century. In order to perpetuate this victory, it is necessary to ensure the return of peoples who have been displaced from their native lands. This Great Return will become a bridge for the sustainable resettlement of our citizens into the territories liberated from occupation and for the integration of these territories into our country's economic activity.

The restoration of a new international and regional transport and logistics corridor in the greater Karabakh region will not only expand the country's access to global markets, but also give significant impetus to the development of the previously occupied territories.

As peacefully as was once the case, it is necessary to ensure the safe living of people returning to these territories, and the region should become one of the most prosperous areas of the country. To restore dignified livelihoods, which form the basis of modern life, creativity must be achieved in all areas. This should be done on the basis of incentives and within the framework of the development of public-private partnerships.

Only under such conditions can the full integration of the territories liberated from occupation be enshrined into the great future of Azerbaijan.

To successfully implement this priority, the following two goals must be achieved:

sustainable resettlement

reintegration into economic activity

#### 4.1. Sustainable resettlement

The restoration of the historical territorial sovereignty of Azerbaijan has opened a new stage for the return of the population to their native lands and residence therein. It is necessary to ensure stable re-inhabitation of the population within previously occupied regions. For this, these territories must be among the healthiest, most modern, and most prosperous living environments in our nation. There we must create a comfortable living environment based on modern principles of sustainable resettlement.

The creation of a comprehensive, safe, and supportive living environment will go a long way in the permanent rehousing of

citizens. To this end, it is necessary to ensure a decent life, comfortable lifestyle, and access to modern services. Additionally, the building of modern infrastructure will be vital to the new regions. To effectively harness the economic potential of the region, it is necessary to ensure the pre-occupation level of its population.

#### 4.2. Reintegration into economic activity

We must reinstate the historical position of the greater Karabakh region into the economic and social networks of the country. This geographical area, newly reunited with the rest of Azerbaijan, should become one of our leaders in economic activity and possess the same level of development as in other localities. The sustainable development of the region will depend on meeting the resource-related needs of the economy. Moreover, the abundance of natural resources and regained historical image of Karabakh will encourage investments in this area.

By providing a solid foundation for quality living, we will be able to bring the region's share in the country's economic activity to the level it was before the occupation and then steadily increase it. In so doing, the comprehensive promotion of private initiatives based on necessary incentives as well as the development of public-private partnerships will be of utmost importance.

## 5. A CLEAN ENVIRONMENT AND A COUNTRY OF "GREEN GROWTH"

Given the magnitude of global climate change, emphasis should be placed on the introduction of clean technologies, encouragement of the use of clean energy sources, and recycling and remediation of contaminated areas. This will be an important step in efforts to maintain greenhouse gas emissions at a level that meets international standards.

Along with the invigoration of countrywide economic development, it is necessary to ensure the amelioration of the environment, the rapid restoration and expansion of green spaces, and the efficient usage of water resources and sustainable energy sources. Within the framework of this priority belonging to the current strategic period, we must achieve the effective implementation of the following two goals:

a high quality ecological environment

spaces for green energy

### 5.1 High quality ecological environment

Our country needs to maintain a high quality and clean ecological environment and guarantee efficient usage of resources. The focus should be on a comprehensive solution to environmental problems that have arisen over the years, along with sustainable development in this area.

In the coming years, it will be necessary to reduce the environmental risks brought on by economic and demographic growth. For this purpose, we must increase the number of green spaces throughout the country.

The ecological environment must be balanced with economic growth. Having already put into circulation unsuitable plots of land, we must revitalize our existing resources. Our country's need for quality water must be met via efficient harnessing of water resources.

## 5.2 Spaces of green energy

During this strategic period, the implementation of alternative and renewable energy sources will increase, especially in developed countries. Given this reality, we must efficiently use energy in our country and give preference to new, sustainable energy sources.

In order to better meet the needs of present and future generations, environmentally friendly green technologies must

proliferate. Based on scientific and technological potentials, it is necessary in all sectors of the economy to increase the share of alternative and renewable energy sources in primary consumption and reduce their impact on climate change. Measures for greater usage of environmentally friendly vehicles will have a positive impact on the environment and air quality.



## Economy of Azerbaijan

After the restoration of independence in 1991, the Republic of Azerbaijan began to realize its sovereign rights in the economic field and to implement independent policy. The main directions of this policy are the organization of the economic system based on different types of property, transition to the market economy, and integration into the global economy.

Economically, the years after the independence can be divided into two main periods. The period of 1991-1995 was characterized by economic chaos and regression. The period after 1996 is known for an increase in macroeconomic stability and dynamic economic development.

As the result of far-sighted policy and intensive activities of the President of Azerbaijan, the national leader Heydar Aliyev, significant results were achieved in the fields of socio-economic development and integration into the global economic system within a short period of time – in spite of unfavorable initial conditions. The great achievement was that the Azerbaijani model of the state system establishment and development was established over the past period.

At the beginning of economic recovery, the country lacked oil-exporting infrastructure. In order to fill this gap, in 1996 Azerbaijan



signed an agreement allowing its oil exports via the Baku-Novorossiysk pipeline. In 1999 the new pipeline Baku-Supsa was put into use; additionally, an agreement on construction of Baku-Tbilisi-Ceyhan, which is currently the major oil-exporting pipeline.

One of the main tasks of the country's leadership in that period was efficient use and reallocation of the benefits from rich oil and gas endowment. In order to solve this task, in 1999 the national leader Heydar Aliyev adopted the Decree promoting cooperation with international companies in this field. Additionally, in order to channel the revenues from oil exports to the priority sectors of the economy and important social and economic projects, the State Oil Fund was established. At the current moment, international organizations evaluate positively Oil Fund's activity and its provision of transparency.

The oil-gas sector played a dominant role in developing other sectors of the economy. The considered economic policy led to macroeconomic stability and sustainable economic growth, as the result, reforms started in all economic fields, new measures are taken in order to improve the social welfare of the population.

Developing entrepreneurship, attracting domestic and foreign investment by establishing a favorable business and investment environment, obtaining non-oil sectors' development had been specific features of implementing economic policy at this stage. As the result of fulfilling expedient measures, the entrepreneurship section was formed and the role of the private sector in social-economic development increased considerably.

Implemented measures in providing diverse forms of property contributed positive effects to sustainable economic growth. However, despite the beginning of privatization specific weight of the private sector in the GDP was less than 10%, currently, the special weight reached 83%.

After maintaining independence as the major priorities of foreign economic policy, the Republic of Azerbaijan formed a relationship with international finance credit and economic institutions. Azerbaijan had been admitted nearly to of all international institutions, including in 1992 IMF, World Bank, EBRD, Islam Development Bank, in 1999 Asian Development Bank.

The main directions and specifications of social-economic policy strategy, which is continued success and improved by the President of the Republic of Azerbaijan, Ilham Aliyev, is to transit to the market economy and to form a social, diversified national economy, which possesses the ability of self-development and to integrate to the world economy.

As the result of the implementation of this policy, obtained successes are strengthened, macroeconomic stability was secured, diversification of the economy, development of non-oil sectors and regions accelerated, efficient usage of strategic international reserves was secured, the stability of national currency and confidence of banking system increased,

conservative external debt strategy implemented, support from government to entrepreneurship intensified, social welfare of population improved sustainably.

On the basis of the President of the Republic of Azerbaijan`s decree on 16 March 2016, (No:1897, "About approval of "The main directions of the strategic road map on the national economy and the main sectors of the economy" ) 12 strategic roadmaps for 11 sectors of the national economy developed. Strategic road maps include the strategy of economic development and the actions plan for 2016-2020, long-term view of the period till 2025, and target view of the period after 2025. The document does not only cover the principles and development goals but also, global trends in each direction, 360 degrees diagnostics of the economy and GZIT analysis, measures to be taken, required investment, and outcome indicators. The Strategic Roadmap provides all factors contributing to economic growth, including opportunities for communication and cooperation by local and international private sector representatives. According to the road map, the locomotive of economic development is the private sector, while government investments play a catalyst role. It is especially must be noted that after the approval of the Strategic road map, relevant government agencies have set up their activities on the basis of more detailed programs. Before the implementation of the project, a feasibility assessment is conducted and relevant government agencies are responsible for each initiative.

3-year programs were accomplished in 2004-2018 on the socio-economic development of regions of Azerbaijan by presidential decrees and orders in order to implement comprehensive and sustainable measures aimed at economic diversification.

The execution of tasks of the state program accepted and successfully implemented for the developments of the regions, as well as at the decrees in connection with additional measures for socio-economic development of the regions, gave a stimulus to the stable development of the non-oil sector in the country, increasing of quality of public utilities and social infrastructure in the regions, improvement of the business environment, increasing of investments, the opening of new enterprises and workplaces and as result, employment of the population and decreasing of the poverty level. During the period of implementation of the state programs in 2004-2018 years, GDP increased 3.3 times, while the non-oil sector increased 2.8 times. Also, industry and agriculture increased respectively 2.6 and 1.7 times in Azerbaijan. Meanwhile, more than 2 million new workplaces have been created in the country. 1.5 workplaces were permanent. More than 100,000 institutions were created. Unemployment and poverty rates have fallen to 5 percent and 5.1 percent respectively. On the basis of state programs, large-scale works have done and paved a way for the development of regions in the coming years.

In order to continue the works in the field of socio-economic development of the country`s regions, including rural areas, as well, as to improve infrastructure and social services, increase employment and material well-being, `The State Program on

socio-economic development of regions of Azerbaijan Republic in 2019-2023`, is being successfully continued.

Today, Azerbaijan has improved its own quality new economic model, expanding political and trade relations between Europe and Asia, and playing an important role in the implementation of huge projects along with the development of the Caucasus transportation corridor. As a result of the implementation of international projects, Azerbaijan has become an international transportation hub and transportation corridor in the last few years. A large shipyard has been built in our country. The use of the Alat International Sea Trade Port which is the largest in the Caspian Sea, and Baku-Tbilisi-Kars railways is a historic event.

The President of the Republic of Azerbaijan Mr. Ilham Aliyev signed the Decree on the large-scale promotion of local non-oil products in foreign markets as “Made in Azerbaijan” on 5 October 2016. This Decree contains 9 different support mechanisms to stimulate exports and promote “Made in Azerbaijan” abroad. Currently, more than 3,000 varieties of products are exported under the `Made in Azerbaijan` brand.

In order to encourage the export of our country's competitive products, the number of trading houses is growing abroad. Currently, in order to strengthen their activities, organization work continues.

In recent years, one of the most significant achievements of the Azerbaijan energy sector has been the delivery of the TANAP

project to the European border. The TANAP and TAP projects, a key part of 3,500 kilometer-long Southern Gas Corridor connecting several countries, have been successfully completed.

Another important event in the field of energy was the signing of the memorandum of understanding on joint exploration, development, and development of hydrocarbon resources of the Dostluq field in the Caspian Sea between the government of Turkmenistan and the Government of the Republic of Azerbaijan. In terms of the development of our country's oil and gas strategy, the memorandum of understanding has great importance. This historic event will have a positive impact on the growth of the role of our country as a transit country and contribute to the realization of the Trans-Caspian energy pipeline.

The occupation of about 20 percent of the territory of Azerbaijan for many years has led to economic growth, which has not allowed it to use its potential. The enemy in the Patriotic War 2020 for 44 days restoration of liberated territories after a brilliant victory over them, ensuring further development, the creation of large-scale infrastructure, and the return of the population to their native lands actions are carried out.

Due to the rich economic potential, natural resources, and wide tourist opportunities of all works aimed at ensuring their equal development, through effective implementation on the basis of a single program, the compliance of the territories of the areas

liberated from occupation with the revision of the distribution by economic areas is the goal. To this end, President Ilham Aliyev dated July 07, 2021 “on the new division of economic regions in the Republic of Azerbaijan” According to the decree, the Karabakh and East Zangezur economic regions have been created in the territories liberated from occupation.

Azerbaijan has made significant progress in all aspects of national development and distinguished by its flexible approach to the economic realities of the time. After we gained our independence, our country has also experienced a period of crisis stages in a deep and political transformation. Enemy`s aggression and uncertain political situation in the country does not only paralyzed the country`s economy but also, created a threat to Azerbaijan`s national interests. After Heydar Aliyev`s return to political power, the political stability created conditions for the normal functioning of economic institutions and accelerated transition to the market economy. With the `Contract of the century` treaty which is signed in 1994, Azerbaijan gained an important position on the world`s energy map. Thus, the decline in the economy was soon replaced by a dynamic economic development trend.

From 2004 to 2015, an average annual economic growth rate became 10.6 percent, while GDP increased 7.6 times in the country. At the same time, there was a 6.5-time increase in the

GDP per capita that caused Azerbaijan to rise from 134th to 79th place among the world countries. International rating agencies and organizations highly evaluated the economic reforms implemented in Azerbaijan and the current economic environment. According to the World Bank's Doing Business report, Azerbaijan was evaluated as the world's `leader reformist state` in 2009. As a result of the successful implementation of the oil strategy, the well-being of the population has increased, capital investment in the economy has increased many times, and stability in the macroeconomics achieved. In this regard, up to the present, the path of socio-economic development of Azerbaijan can be considered as adequately successful.

However, since mid-2014, a sharp decline in the world markets` energy prices, economic downturns in foreign-traded countries, and the financial crisis have also had a negative impact on Azerbaijan. The flow of foreign currency into the country decreased significantly. This tendency created a significant difference in the country`s import-export balance. The sustainable economic growth in recent years become to slow down, and it led to the transition of new economic model`s implementation in our country. Under such a circumstance, Azerbaijan Republic`s President Ilham Aliyev initiated the development of a new economic strategy and relevant institutional reforms.

In this regard, according to the “Strategic Road Maps for National Economy and Main Economic Sectors” signed by the President of the Azerbaijan Republic Mr. Ilham Aliyev, over the national



economy and economy's 11 sectors, the preparation of 12 strategic road maps plays a significant role.

Here is a list of the 12 strategic road maps which contribute to the development of the national economy:

"The strategic road map on the prospect of the national economy of the Azerbaijan Republic";

"The strategic road map concerning the development of the oil and gas industry in the Azerbaijan Republic";

"The strategic road map concerning production and conversion of agricultural products in the Azerbaijan Republic";

"The strategic road map concerning the production of consumer goods at the level of small and medium business in the Azerbaijan Republic";

"The strategic road map concerning the development of the heavy industry and mechanical engineering in the Azerbaijan Republic";

"The strategic road map concerning the development of the industry of specialized tourism in the Azerbaijan Republic";

"The strategic road map concerning the development of logistics and trade in the Azerbaijan Republic";

"The strategic road map concerning the development of the provision of housing in reasonable price in the Azerbaijan Republic";

"The strategic road map concerning the development of professional education and training in the Azerbaijan Republic";

"The strategic road map concerning the development of financial services in the Azerbaijan Republic";

"The strategic road map concerning the development of telecommunication and information technologies in the Azerbaijan Republic";

"The strategic road map concerning the development of utilities (electrical and heat energy, water, and gas) in the Azerbaijan Republic".

Strategic Road Map on National Economic Perspectives covers short, medium, and long-term horizon and comprises economic

development concept and action plan until 2020, long-term outlook by 2025, and target outlook for the period after 2025. It does not only covers economic objectives and principles, but also, global trends for each area, 360-degree diagnostics of the economy, SWOT analysis of the current situation, actions to be undertaken, required investments, and indicators as well.

This map considers the contribution of all economic-social development factors, includes great opportunities for the extensive cooperation of local and international private sector representatives. Government investments play a catalyst role and the private sector emerges as the locomotive of economic development.

In order to achieve sustainable economic growth, the strategic roadmap identifies four strategic goals:

- 1) Ensuring fiscal sustainability and formulating monetary policy;
- 2) Privatization and reforms related to state-owned enterprises;
- 3) The development of human capital;
- 4) Further improvement of the business environment.

By implementing these four strategic goals, the national economy will strengthen and diversify, and transparent management and control system will establish.

Reducing the country's dependence on energy carriers, economic diversification, and integration into the world economy are the priority goals of the `Strategic Road Map`s Action Plan` for 2020. These arrangements which are connected with each other paved a way to restructure the country's economy comprehensively.

The goals set within the frames of a long-term vision in the `Strategic Road Map` until 2025 aims to strengthen the competitiveness of the country's economy, By achieving this goal, the establishment of a free competitive environment in the country, increasing the private sector's share in the economy, and enhancing the economy's investment attractiveness plays a significant role. Azerbaijan is evaluated as one of the most stable countries in the world by the world's leading financial institutions in terms of its macroeconomic environment. However, a sharp decline in oil prices threatens our country's macroeconomic stability. In this regard, achieving macroeconomic stability again in the medium-term target is one of the key goals for the successful implementation of the responsibilities ahead.

The Strategic Roadmap defines the establishment of a strong, diversified, inclusive economy that ensures improved social

welfare for the country's citizens and higher the human development index as a post-2025 target view. Improving the living standards of the country's population and developing human capital are the key components of long-term targets.

Azerbaijan which is famous as the oil country in the entire world initiated the industrial production of oil in the middle of the 19th century. The oil fountain in the Bibiheybat field of Baku in 1848 laid the foundation for the first industrial production of "the black gold" in Azerbaijan. Azerbaijan took first place in the production and processing of oil in 1899 and accounted for 50% of the global oil production.

Beginning from the 1870s the foreign capital started to flow into the country. The development of the oil industry bred a new generation of local entrepreneurs. Hadjy Zeynalabdin Tagiyev, Musa Naghiyev, Shamsi Asadullayev turned into famous oil entrepreneurs owing to their skills, talent, industriousness, and undertook great work for the welfare of the people and the nation of the country.

Azerbaijan accounted for 75% of the oil produced in the Soviet Union during the Second World War thus providing the front with the fuel made a great contribution to the victory over fascism.

The fountain struck on the Neft Dashlary considered the rare field 100 kilometers away from Baku in 1949 opened a new stage in

the production of offshore oil. Azerbaijan started to produce oil in the offshore fields at that time.

The 1970-1980s entered history as the period of great achievements of the Azerbaijani oil industry and the strengthening of its material and technical basis as well as its development. The progress of the said sphere within that period of time is closely connected with Heydar Aliyev who ruled Azerbaijan.

These years were also characterized by the development of the deeper regions of the sea by Azerbaijani oilmen. As the result of the purposeful measures conducted at that time, the oil industry strengthened, and its wide infrastructure was established.

Azerbaijan was supplied with different drilling plants for the development of offshore fields, special boats, techniques, and equipment to ensure the offshore construction works, and such strategically important production plant as the plant of the deep sea basis of Baku was established. Moreover, great progress was also observed in the oil processing, petrochemical industry, and oil mechanical engineering.

The rapid arrangement and realization of geological surveys in the Caspian Sea in the early 1970s were also connected with Heydar Aliyev. To date, it is possible to say that the works carried out by the national leader of the Azerbaijani people in all spheres including the oil sector constituted his farsighted plans-`the contract of the century and the intention to improve the living standards and to ensure the independence of the people.

Within the first years of independence, the increase of gas and oil production was regarded as one of the major means for the elimination of economic and social troubles. Under such conditions, the limited financial funds required the participation of foreign companies and investors. Yet, the oil companies of the West hesitated to invest in Azerbaijan due to the Armenians' intervention in Azerbaijan as well as the turmoil, inner differences, and instability. At the same time, the economic interests of Azerbaijan were not ensured by any of the conducted talks.

The talks initiated with the interested foreign oil companies in the 1980s were nearing their end in the spring of 1993. At that period Azerbaijan was close to the signing of a contract that not only neglected the interests of the people but also would strike a hard blow on the economics of the country through plundering the valuable natural reserves of the country.

Heydar Aliyev's return to the government in 1993 by the will and request of the people laid the foundation for the dramatic changes in the political and economic life of Azerbaijan.

The discussions and talks on the oil contract were in fact resumed and at last following the hard process of negotiations, the country agreed on such provisions of the contract that would fully correspond to the interests of Azerbaijan.

The oil contract signed with the oil companies of the West in Gulistan palace of Baku on September 20, 1994, opened a new page in the history of the country. Later, the said contract called the contract of the century was perpetrated in the oil chronicle of independent Azerbaijan

On September 20, 1994, under the leadership of national leader Heydar Aliyev, an agreement on exploration, development, and production sharing was signed with 13 oil companies representing eight countries of the world covered three major oil fields in the Azerbaijan sector of the Caspian Sea – Azeri, Chirag and Deepwater portion of the Gunashli field. With this agreement, Azerbaijan started to shine in the world. In the next years, 41 oil companies representing 19 countries of the world signed 32 agreements with Azerbaijan.

In order to ensure the revenues from the joint development of the oil fields and direct them to the economic and social development of the country, The State Oil Fund was established in 1999. Social and economic developments were one of the main aspects of government policy.

After the signing of the `contract of the century, it was quite controversial and difficult to export millions of tons of crude oil to the world market completely safe in terms of economic and political situations. However, thanks to the principal and decisive position of our great leader, Heydar Aliyev, his diplomatic skills



and ability to convince the partners, routes of transportation of Azerbaijani oil created. In January 1996, the intergovernmental agreement on transporting Azerbaijani oil via the Baku-Novorossiysk pipeline signed between the Republic of Azerbaijan and the Russian Federation. In October 1997, this line came into use. In 1997, the Azerbaijani and Georgian governments signed an agreement on the transportation of oil into the Black Sea with the Baku-Tbilisi-Supsa route. On April 17, 1999, another important event took place in the history of the country. With the participation of the Presidents of Azerbaijan, Georgia, and Ukraine has inaugurated the Baku-Supsa oil pipeline as well as the Supsa export terminal on the Black Sea coast of Georgia. This line is 850 km long and has an annual output of 5 million tons.

Which country's territory will be a transition of the main export oil pipeline? It was a controversial issue that could not find its solution. Finally, in November 1999, during the OSCE's Istanbul meeting, the Presidents of the United States, Turkey, Azerbaijan, Georgia, and Kazakhstan signed an intergovernmental agreement on the construction of the Baku-Tbilisi-Ceyhan Main Export Oil Pipeline.

Construction of the Baku-Tbilisi-Erzurum gas pipeline and the start of the gas production from the Shah Deniz field was a historical event such as the Baku-Tbilisi-Ceyhan oil pipeline. Today, Azerbaijan is a country that not only exports oil but also, exports gas as a logical consequence of this project.

In November 2006, the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, became one of the European Union's closest partners in the field of "Azerbaijan and Security".

Our country started to play a crucial role in the world's energy market with the launch of the Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum gas pipeline in 2006 and 2007 respectively.

Exploring the `Umid field` in the gas field in 2010 was one of the most important events in the oil and gas industry in Azerbaijan. Another great achievement was the determination of the reserves in the Absheron field. Absheron field contains probably 350 billion cubic meters of gas. With the discovery of this field, Azerbaijan's gas reserves reached 2 trillion 550 billion cubic meters.

On the 20th anniversary of the Contract of the Century, the foundation of the Southern Gas Corridor project was laid at the Sangachal terminal in September 2014.

Over the exportation of Azerbaijani gas to the world market, extensive work has been completed. In order to ensure the operation of the Southern Gas Corridor, large-scale development of the Shah Deniz gas condensate field, expansion of the Southern Caucasus Pipeline (SCP), Trans-Anatolian Pipeline (TANAP), and Trans-Adriatic Pipeline (TAP) has been completed.

On the 23rd anniversary of the Contract of the Century, the agreement signed on amendments on the production sharing and development of the Azeri-Chirag-Guneshli block in Baku in September 2017. According to this regulated agreement, the duration of the `Contract of the Century` extended until 2050.

In 2021, the Memorandum of Understanding on joint exploration and development of hydrocarbon resources of the Dostlug (Friendship) field in the Caspian Sea between Azerbaijan and Turkmenistan is a historical event. With this historical event, Azerbaijan will be a transit country. Also, this agreement will contribute to the realization of the Trans-Caspian energy pipeline.

New Oil Strategy`s achievements have become a dynamic economic development of the Azerbaijani state over time. In other words, The new oil strategy achieved its main goal by ensuring the country`s energy security and proportional economic development.

Modern industry is one of the aforethought, crucial programs for Azerbaijan`s future development. industrialization of the sustainable economy accelerated in the last years as a result of the successful policy pursued in accordance with the requirements of the new era. Industrial parks and industrial districts play a crucial role in the sustainable development of the non-oil industry in Azerbaijan. Industries created by using local resources, reduction of the infrastructure costs in the organization of the production process, strengthening cooperation between entrepreneurs increases industry in employment. Hundreds of

modern industrial institutions started their operations and new industries have been created. The demand for local products has increased significantly. The volume of exports has also increased. If we look at the works done in the previous years, we can clearly see that our country gained some achievements in this area.

According to the Republic of the President of Azerbaijan`s strategic line, which is "Azerbaijan's future development should be involved via the development of the industry", the development of industrialization and the non-oil industry is one of the significant factors of the policy of economic diversification.

The main goal of the approved by the Decree dated December 6, 2016, "Strategic Roadmap for the development of heavy industry and machinery manufacturing in the Republic of Azerbaijan" is modern regulation in heavy industry and machinery manufacturing. Also, ensuring the dynamic development of the non-oil industry by application of incentive policy is another goal of this decree.

According to the successful industrialization policy, in order to ensure the sustainable development of the non-oil sector and increase the population`s employment in the manufacturing sector, the process of the creation of industrial parks and industrial districts continues successfully. The creation of industrial parks with modern manufacturing infrastructure aimed to develop industrial institutions and ensure the balanced development of the country's economy. Also, it provides development of production and innovation in accordance with the

implementation of state policy. increasing the export capacity of the country's economy, as well as the production of competitive, increase of the import-substituting products are important factors in terms of the establishment of industrial parks and sustainable development of the country's non-oil sector. Also, employment in the other regions, investment, and attraction of modern technology play a significant role in this area.

For the development of the country's industrial production competitiveness by means of innovative and high technology in the country, Sumgait Chemical Industrial Park was established under the Decree of December 21, 2011, of the President of the Republic of Azerbaijan. It is considered to create institutions for the production and processing of competitive products in the petrochemistry and other priority industries in the Sumgait Chemical Industrial Park. The territory of Sumgait Chemical Industrial Park is 508.14 hectares.

Sumgait Chemical Industrial Park already has 24 institutions and 15 of them have already started their operation. In the industrial park, 5.000 billion manats have been allocated for existing projects of institutions, and as well as more than 5.400 jobs have been created.

On January 18, 2021, the foundation of Azersulfat LLC sulphuric acid production plant and Glassica CJSC glass container production plant was laid in Sumgait Chemical Industrial Park.

Also, Azerfloat CJSC thermoforming sheet glass plant at the Sumgayit Chemical Industry Park was inaugurated.

Great opportunities are created in the industrial zone of the park, for the activities of institutions in the field of the chemical industry, construction industry, and other industries. There are also some institutions that exist to provide vocational educations.

In addition, Balakhany Industrial Park was established in Baku by the Decree of the President of the Republic of Azerbaijan dated December 28, 2011, for the purpose of supporting of entrepreneurship in the country, organization of industrial enterprises based on modern technologies, and increase of employment. The territory of Balakhany Industrial Park is 10.15 hectares. Totally, 19 institutions were registered in the Park and 16 of them started their operations. The main goal of the establishment of this park is about creating opportunities for potential entrepreneurs and investors interested in the field of reproduction.

Garadagh Industrial Park was established in Garadagh under the Decree №1255 dated June 3, 2015, of the President of the Republic of Azerbaijan. The administrative organization of Garadagh Industrial Park is “Sumgayit Chemical Industrial Park” LLC operating under the Ministry of Economy of the Republic of Azerbaijan. Garadagh Industrial Park has an institution - "Baku Shipyard" LLC. 847.1 million manats were allocated to the industrial park and 2,000 jobs were created.

In addition, Mingachevir Industrial Park was established under the Decree №1077 dated February 26, 2015, of the President of the Republic of Azerbaijan. Mingachevir Industrial Park is a place that contributes effective operation and development of entrepreneurs. For entrepreneurship, Mingachevir Industrial Park is an area with its necessary infrastructure and management structures. This institution organized for competitive productions based on modern technologies. The administrative organization of the Mingachevir Industrial Park is “Sumgayit Chemical Industrial Park” LLC operating under the Ministry of Economy of the Republic of Azerbaijan.

The groundbreaking ceremony of Mingachevir Industrial Park was held on September 21, 2016, with the participation of the President of the Republic of Azerbaijan. “Mingachevir Tekstil” LLC`s two factories are registered as an institution in the Mingachevir Industrial Park. These factories were put into operation on February 27, 2018, with the participation of the President of the Republic of Azerbaijan. Also, these factories' annual production capacity is 20,000 tons of yarn. The equipment was brought leading companies in Germany, Switzerland, Spain, and Japan. In the factories, more than 700 permanent jobs have been created.

In order to develop the pharmaceutical industry in the country, Pirallahi Industrial Park was established under the Decree №2336 dated September 14, 2016, of the President of the Republic of Azerbaijan. On the other hand, necessary infrastructure services

and other services are provided to entrepreneurs in the industrial park where established on an area of 30 hectares. Currently, there are 5 institutions registered in Pirallahi Industrial Park, and 2 of them have already started their operation. Totally, institutions invested 29.1 million manats in the industrial park and 110 jobs were created. Additionally, it is assumed to invest an additional 47 million manat on existing projects and create more than 500 permanent jobs.

In the last years, hundreds of industrial institutions built and started their operations based on the state programs of socio-economic development of the regions of the Republic of Azerbaijan, and thousands of new jobs have been created.

With the order of the President of the Republic of Azerbaijan, No. 288 of 8 October 2014 "On Creation of Industrial Districts and Organization of their Activity" was determined. The main goal of the creation of the industrial districts is about providing favorable conditions for the development of small and medium-sized businesses operating in the industry and increase employment in production and services.

It is determined in the decree that industrial districts are an area for the necessary infrastructure for entrepreneurial activities and these districts are used by small and medium-sized enterprises for the production of goods. Industrial districts have great importance in terms of reducing infrastructure costs,



strengthening cooperation, developing small and medium enterprises, etc. Currently, industrial districts continue their operation in Neftchala, Masalli, Hajigabul, and Sabirabad districts of the Republic of Azerbaijan.

As a result of the Patriotic War, the liberation of the territories occupied for almost 30 years paved a way for the development of the economy of Azerbaijan and created favorable conditions. The industrial potential of the liberated territories is high. Rich water supply, electricity, rich minerals, and industrial recreation opportunities form the basis of the industrial potential of the liberated territories. These factors show that the industrial potential of the liberated territories will contribute value to the country's economy in the next years.

Azerbaijan became the strong industrial center of the region in the last years and this is proved with the indicators that show the achievements in the field of industry.

After Azerbaijan gained its independence, the development of agriculture in Azerbaijan was not easy, just like other fields of the economy of Azerbaijan. Achievements gained nowadays are the results of being hardworking and sound policies. Our Country does not only provide itself with strategic local products but also, we are a country that export agricultural products to other countries.

Today, with the initiative of President Ilham Aliyev, according to modern requirements, works are going on for the development of agriculture in Azerbaijan. It is no coincidence that after Ilham Aliyev elected the President of the Republic of Azerbaijan in 2003, firstly, he signed a decree and order in order to develop the agrarian sector. People who were busy in the agricultural sector, became free in terms of paying all taxes, except land tax. They began to receive subsidies for fuel and lubricants, fertilizers, seeds and breeding animals. Also, additional discounts were made to producers of traditional products such as wheat, cotton, cocoons, tobacco, rice, hazelnuts, etc.

Financial support plays a crucial role in the development of the agricultural sector. In addition, today, along with entrepreneurs working in other fields, farmers are given soft loans in Azerbaijan.

By using these financial supports efficiently, many farmers turn their farms into large farms. So, a number of large farms are operating in the country. The activities of these farms play a crucial role in terms of stabilizing the consumer market, increasing export potential, reducing dependence on imports, and strengthening food security in general.

In the last years, along with the development of the non-oil sector which is one of the important sectors of the economy, agriculture is also developed dynamically and sustainably. This trend increased the employment of the population. Works were done in

the efficient use of arable lands and available water resources and thousands of hectares of land have been involved in crop rotation. As a result, it is seen that there is sustainable growth in agricultural production.

Crucial works continued in the country in order to achieve a large increase in the production of cotton, grain, and other agricultural crops and cattle-breeding. Measures were taken such as Improvement of the irrigation system in the arable lands and putting newly irrigated lands into operation. Water reservoirs, pumping stations, main canals, and other water facilities were built and put into operation.

The President of the Republic of Azerbaijan signed a decree No 1897 about approval of the main directions of the strategic road map on the national economy and the main sectors of the economy and the issues arising out of it. With this decree, on the basis of the depth analysis of the economy, the current situation of the production of the agricultural goods and their processing systematically and comprehensively discussed by the relevant government agencies, research centers, and independent experts. The relevant assessment was done and according to these assessments, “Strategic Roadmap for the Production and Processing of Agricultural Products in the Republic of Azerbaijan” was prepared. This Strategic Roadmap reflects the country's long-term development goals for agricultural development.

In order to improve management in the agrarian sector, the Agrarian Services Agency was established under the Ministry of Agriculture of the Republic of Azerbaijan.

Currently, the state provides extensive support for the development of agriculture.

Common government support measures:

- exempt agricultural producers from taxes;
- provide preferential loans to agricultural producers;
- apply customs credit to most of the agricultural and processed imports;
- pay 40% of the cost of the agricultural machinery and equipment sold or leased to agricultural producers by AgroService;
- pay 50% of insurance for agricultural assets and predicted insurable events.

Government support measures for plant-growing:

- provide subsidies worth AZN 50 for each hectare of crop fields in order to pay 50% of the cost of fuel and engine oil consumed for agricultural production;
- provide subsidies to processors of AZN 0.1 for each kilogram of sold cotton and, dry tobacco, and AZN 0,05 for each 10 kilograms of raw tobacco;

People who are interested in cocoon production are provided with a subsidy of 5 (five) manats per kilogram of all types of wet cocoons (except for spun and "karapaçax" cocoons) accepted by cocoon processing and silk production institutions;

legal entities which engaged in sugar beet processing and individuals who are engaged in entrepreneurial activities provided with 4.0 manats subsidies without establishing a legal entity for each ton of sugar beet to its producers;

the price of irrigation water for agricultural producers is AZN 0,5 per 1000 m<sup>3</sup>;

pay 40% of the cost of the modern irrigation equipment sold by AgroService;

pay 70% of the fertilizers, pesticides, and industrial bio-humus;

provide subsidies for seed and sapling production and sales;

provide government funding for the application of IPM measures and quarantine for agricultural crops.

Government support measures for cattle-breeding:

pay 50% of the cost of purebred animals imported and leased by AgroService;

grant subsidies in the amount of AZN 100 for each calf produced through AI;

provide relevant infrastructure for AI services;

implement preventive and diagnostic measures against the 13 most dangerous animal and poultry diseases and infections;

individuals and legal entities who are engaged in beekeeping for each bee family (hive), provided with 10.0 manats subsidies per year for five years, including 2018.

In connection with the implementation of the Decree of the President of the Republic of Azerbaijan dated December 6, 2016, No. 1138 "On approval of strategic roadmaps for the national economy and key sectors of the economy" for further improvement of business and investment climate in the country, as well as for the purpose of improvement of the system of regulation of entrepreneurial activity and application of effective coordination, increasing the role and competitiveness of small and medium enterprises in the country's economy, facilitation of access to domestic and foreign markets, and agricultural producers to means of production, increase the production of essential food products to replace imports in the domestic market, strengthen food security, increase employment opportunities in rural areas and other areas continues successfully.

Currently, as a result of 44 days of the Patriotic War and the great victory of Azerbaijan over the Armenian Armed Forces, it is started to plan the further development of agriculture in the liberated territories. The liberation of our territories will have a positive impact on agricultural development. The country's crop field will increase and hundreds of thousands of hectares will be irrigated as a result of the liberation of strategically important reservoirs. Our liberated territories have great potential in terms of viticulture, grain, cotton, and cattle breeding. With the expansion of the agro-processing industry and proper use of these potentials, sustainable development of agriculture will be ensured.

Under the leadership of President İlham Aliyev, a new economic policy strategy of Azerbaijan was implemented in 2003. The first decrees issued by the President during his presidency were on measures to accelerate socio-economic development and socio-economic development of the regions. It is no coincidence that during the first period of his presidency, İlham Aliyev signed a decree "On measures to accelerate socio-economic development in the Republic of Azerbaijan" on 24 November 2003.

State Program I successfully implemented for the development of the regions laid down new development foundations in various regions of Azerbaijan and moved the process of development to the following successful stage. Thus, President İlham Aliyev with his Decree dated April 14, 2009, ratified the "State program on social-economic development of the regions of the Azerbaijan Republic for 2009-2013". The key target causing the elaboration of a new program was to achieve diversification and effective integration of country economy to world economic system, improvement of the level of infrastructure and public services, as well as a continuous enhancement of the standard of living of the population. As a result of successful implementation of tasks set in both programs, tangible progress was achieved in the sustainable development of the non-oil sector, in the creation of new enterprises and job places, in further improvement of business climate, in an increase of employment of population and in a decrease of the poverty level. After "The State Program on Socio-Economic Development of Regions of the Republic of Azerbaijan for 2009-2013 years" was implemented successfully in the country, it is shown that there is a necessity for a new third

program. On 27 February 2014, President of the Republic of Azerbaijan signed a decree on State Program on socio-economic development of regions of the Republic of Azerbaijan for 2014-2018 years". This program was the continuation of the works begun under the previous two completed programs.

During the period of implementation of state programs in 2004-2018, the GDP increased 3.3 times, including 2.8 times in the non-oil sector, 2.6 times in the industry, and 1.7 times in agriculture.

More than 2 million new jobs and more than 100,000 institutions were created in the country as a result of measures taken during this period. While 1.5 million jobs were permanent, unemployment fell by 5 percent and the poverty rate fell by 5.1 percent.

Currently, "The State Program on Socio-Economic Development of Regions of the Republic of Azerbaijan for 2009-2013 years" continues successfully.

Starting from 2004, state programs towards the social-economic development of the regions, resulted successfully. Restoration and construction work expanded in the regions. New production and service institutions based on modern technologies, social infrastructure facilities have been opened, and the level of employment has increased. The agricultural sector has been developed as a result of state support measures and special attention paid to increasing the production of competitive



products. Improving the business environment in the country became one of the main directions and great importance was attached to the development of entrepreneurship. Measures have been taken to further develop small businesses and investment projects have been financed through soft loans. During the last years, meetings have been held in the regions on cotton, cocoons, hazelnuts, tobacco, tea, rice, citrus, and several state programs have been adopted.

The huge social infrastructure construction work carried out in recent years has completely changed the landscape of the regions. During these years, 58,000 kilometers of new gas pipelines have been laid in the regions, 13,000 kilometers of drinking water lines have been laid in the regions to improve water supply, about 470 modular water treatment plants have been installed, and 706,000 people have been provided with drinking water. More than 16,000 kilometers of roads were repaired and 470 bridges and tunnels were put into operation.

In the last 17 years, state programs over social-economic development of the regions, more than 3300 schools, hundreds of kindergarten, and medical institutions have been built and repaired. Last year, the regions also played a significant role in the growth of GDP in the non-oil sector by 3.5 percent and in the non-oil industry by 14.3 percent respectively. In 2019, 7.2 billion manats were allocated under the Fourth State Program for Socio-Economic Development of the Regions. (2020)

The creation of industrial institutions in the country's 10 regions paved the way for the industrial process. In general, about 6 billion manats have been invested by institutions in industrial zones so far and more than 9,000 new jobs have been created. The total production in these zones increased 2.6 times. It should be noted that 80 percent of the products are produced by Sumgayit Chemical Industrial Park. Balakhani Industrial Park has expanded its activities and entered the second stage. In this regard, it is important to increase the efficiency of activities in other industrial zones. The implementation of projects under the investment promotion documents issued will lead to the investment of more than 4 billion manats in local production and the creation of about 28,000 new jobs. 87% of these projects belong to the regions. Thanks to the state support for the development of entrepreneurship, the Entrepreneurship Development Fund continues to provide soft loans. Compared to 2005, the share of total tax revenues in the non-oil sector of the regions doubled to 15 percent

Currently, opportunities to expand the export geography of Azerbaijani products are investigating. By doing so, the main goal here is to expand the access of competitive and high-quality local products to foreign markets under the "Made in Azerbaijan" brand. As a result of the implementation of the successful state programs, compared with 2019, agricultural processing increased 14 percent. Agroparks and local farms play a crucial role in terms of the development of the country's agricultural sector and these works continue.

Crucial work has been completed in Azerbaijan in the last years to apply information and communication technologies in the activities of government agencies, and the relevant legal framework has been formed. People are provided with electronic services in most government agencies. These services prevent bureaucratic hurdles and possible corruption. Crucial reform was signed in this area on July 13, 2012. The State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan and its subordinate "ASAN service" centers were established.

Currently, a Strategic Action Plan has been prepared for Azerbaijan to restore the territories liberated as a result of the 44-day Patriotic War, which ended in great victory.

The Azerbaijan Export & Investment Promotion Foundation (AZPROMO) was established in 2003 to fulfill such priority tasks as boosting the country's export potential and attraction of foreign investments. The Foundation strives to enhance the export potential of domestic entrepreneurs, ensures expansion of investment opportunities, and assists entrepreneurs in finding potential partners and implementing joint projects. To this end, the Ministry of Economy of the Republic of Azerbaijan, and the Azerbaijan Export & Investment Promotion Foundation (AZPROMO) implement important economic events both in the country and abroad, including business forums, exhibitions, workshops, and conferences. These measures play an important role in both improving the country's business environment and economic potential and ensuring the development of business ties of local entrepreneurs. The practice of holding events in foreign

countries renders positive results, especially in terms of increasing investments in priority areas of economic development. The practice of holding business forums in our country plays an important role in promoting the establishment of business ties with businesspeople of Azerbaijan, as well as providing their products with access to foreign markets, allowing for the conclusion of business agreements and development of their business ties abroad.

Foreign investors and local manufacturers can use AZPROMO's legal advice to establish a business in Azerbaijan and enter foreign markets.

The Azerbaijan Export & Investment Promotion Foundation's major areas of activity in the country are as follows:

Development of the country's new image;

Provision of diverse services to local and foreign investors;

The attraction of investors and holding negotiations with them;

Creation of information base on investment and export opportunities;

Exploring the export potential of the Azerbaijani market in the area of regional trade;

Provision of consultancy and marketing research services to export-oriented companies;

Spreading the "Made in Azerbaijan" trademark internationally.

On 5 October 2016, President of the Republic of Azerbaijan Ilham Aliyev signed a Decree envisaging a large-scale promotion of local non-oil sector products in foreign markets under the brand name "Made in Azerbaijan". This Decree covers 10 different mechanisms, i.e. implementation of support measures to promote the 'Made in Azerbaijan' brand abroad and stimulate exports.

Depending on specific support measures, the costs associated with their implementation shall be fully or partially covered by the state budget.

Every exporter of non-oil products of Azerbaijani origin has the right to benefit from these support measures.

One of the support measures is the export mission that promotion of the Made In Azerbaijan brand abroad and stimulation exports is the implementations.

Export missions are a support measure implemented to discover access to new markets as well as to strengthen the position of local products in existing markets and introduce new products to these markets.

Considering the export potential of non-oil sector products, exporters' requests, international economic and trade relations of Azerbaijan, the Ministry of Economy defines the countries to be visited and the dates of the visits.

The state budget shall cover all logistic expenses related to the trip (hotel, transportation, rental of rooms, and equipment for business meetings, translation services). One of the support measures of the stimulation of exports is to investigate the market of local products in foreign countries.

Market research is a support measure organized to explore and expand access to existing and new export markets to ensure the export of non-oil sector products.

Market research is carried out by specialized local or foreign legal entities or individuals selected as a result of competition on the

basis of exporters' requests in accordance with the target markets defined by the Ministry of Economy.

Currently, one of the measures of stimulation exports is close participation in international exhibitions and fairs. Participation in international exhibitions and fairs through a single country stand is a support measure organized to promote local non-oil sector products under the brand name "Made in Azerbaijan". The state budget shall cover all organizational logistic costs to ensure the participation in international exhibitions and fairs at a single stand (i.e., rental of space at the location of the exhibition/fair, design, preparation, and installation of the stand, transportation of products).

At the same time, various support measures are being taken for the promotion of the "Made in Azerbaijan" brand in public places abroad and in the international media in order to promote local non-oil products under a single name in the world.

The banking system is considered an important element of the financial system of Azerbaijan. Today banks leave behind other financial mediators for the volume of their assets and capital, as well as regional coverage.

Currently, there is a developed two-tier banking system based on market principles (the Central Bank of the Republic of Azerbaijan in the first tier, commercial banks, and other non-bank credit organizations in the second tier).

The Central Bank of the Republic of Azerbaijan was founded in 1992. The main mission of modern central banks is to maintain prices and financial stability.

The Central Bank performs a number of functions defined by law In order to achieve its goals.

The Central Bank's main function is to set and conduct the country's monetary and exchange rate policy. Monetary policy is conducted using a variety of tools. These tools include buying and selling securities issued by the state and the Central Bank, determining interest rates on loans issued by the Central Bank to banks, requirements for required reserves of banks, etc. Through these tools, the Central Bank uses opportunities to influence price stability, economic growth, as well as ensuring financial stability in the country by regulating the amount of money in circulation.

One of the critical functions of the Central Bank is to issue the national currency (manat) of the Republic of Azerbaijan. According to Article 19 of the Constitution of the Republic of Azerbaijan the Central Bank enjoys this exclusive right. Within this authority, the Central Bank issues manat denominated banknotes and coins to and withdraws from circulation, and takes actions on their circulation.



## Determining the official exchange rate of the manat

The Central Bank sets an official exchange rate of manat against foreign currencies. The exchange rate is one of the factors affecting the country's foreign economic relations. The Central Bank determines the official exchange rate of the manat, taking into account the average market rate. Economic institutions consider the official exchange rate when conducting foreign exchange transactions.

The Central Bank also performs the function of currency regulation and control. Foreign currency regulation and control is a set of measures that support the conduction of the exchange rate policy, maintain international settlements, regulate foreign currency circulation, execute transactions, restrict foreign currency use, and exercise government control over foreign currency movement.

The Central Bank actively uses gold and foreign exchange reserves to protect the exchange rate of the national currency and regulate the balance of payments. At the same time, the Central Bank acts as a guardian of the country's gold and foreign exchange reserves entrusted to it, and at the same time performs the function of their management. Thus, gold and foreign exchange reserves currently play a stabilizing and "guarantor" role in international settlements. The Central Bank's gold and foreign exchange reserves include gold, precious metals, and

precious stones, foreign currencies, foreign currency funds held in the accounts of foreign central banks or other financial institutions, and other internationally accepted assets. The Central Bank gives information in the media on the total amount of gold and foreign exchange reserves managed by it at least once a quarter.

One of the functions of the Central Bank is to collect the country's balance of payments statistics and compile a reporting balance of payments. The balance of payments is a statistical reporting system that shows indicators and reflection of the summary of economic operations (goods and services, investments) carried out by the population of the country and economic entities (enterprises and organizations) operating in Azerbaijan with foreign persons during a certain period. The balance of payments is used to calculate the GDP (gross domestic product) of each country.

The Central Bank develops the country's consolidated (both public and non-public) foreign debt statistics and international investment balance, summarizes and disseminates data. This function was assigned to the Central Bank on the basis of the changes made to the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan dated 20 October 2015.

External debt statistics and international investment play a special role in the formation of the international ranking of the national economy, as well as considers macroeconomic policy decisions. These statistics are formed on the basis of accounting of liabilities of the country's institutions to institutions of foreign countries.

The Central Bank organizes, coordinates, regulates activities of, and oversees centralized interbank and other unlicensed payment systems as part of this function.

Currently, such systems include The Real-Time Gross Settlement System (AZIPS), The Low-Value Payments Clearing and Settlement System (LVPCSS), The Interbank Card Center (ICC). The Central Bank sets requirements for participation in these systems, including security requirements for participation, requirements for the sustainability of payment systems, and requirements for forms of payment documents.

Azerbaijan Deposit Insurance Fund was founded on 9 February 2007 with the decree of the President of the Republic of Azerbaijan, Ilham Aliyev, and started to its operation on August 12, 2007, The purpose of establishing the Deposit Insurance Scheme is to prevent the risk of losing money deposited by individuals and to ensure the sustainability and development of the financial and banking system whenever banks and local branch offices of foreign banks become insolvent. Azerbaijan Deposit Insurance

Fund is regulated by the Trustee Board and by the Executive director based on the Law on Deposit Insurance.

According to the amendments made to the Law of the Republic of Azerbaijan “On Deposit Insurance” on December 18, 2020, the amount of compensation for protected deposits of individuals was increased from 30,000 to 100,000 manats.

Innovation and investment policy play a crucial role in terms of achieving many successes in the state economy. Macroeconomic stability and economic growth, economic security, ensuring the competitiveness of the national economy, improving the living standards of the population, solving many socio-economic problems is the investment climate in the country are the important goals in terms of investment-oriented.

Azerbaijan became an attractive country in the world for investment. The creation of political and economic stability, favorable business and investment environment ensure the realization of any project. The current investment policy and successful business environment do not only attract local investors but also, attract foreign investors.

As a result of an improved business environment, equal rights and opportunities have been created for all investors. Also, strong protection policy and legislation in this area are attractive factors for investors.

The lack of government inspections such as taxes, human health, national security is supporting factors of the investment climate.

In addition, there is no discrimination against foreign and local investors. There are some favorable conditions for investors to create a favorable business environment. This favorable business environment includes a lack of requirements such as obtaining a permit for foreign investment and as well as lack of restrictions on foreign exchange, lack of license for foreign exchange transactions related to capital movements, and lack of restrictions on the amount of foreign capital in companies, the absence of restrictions on technology transfer and absence of legal restrictions on ownership, the absence of restrictions on the repatriation of profits and lack of the requirement of a local colleague.

As a result of works done in our country for the improvement of the investment climate, along with the number of companies investing in Azerbaijan, their geography is expanding. It is obvious that investors are only interested in investing in a stable country. So, the volume of investments in the Azerbaijani economy has now reached \$ 280 billion.

Azerbaijan acts as an investor country in a number of regional and global projects. It led Azerbaijan to become a geopolitical actor, as well as a country with a growing international image.

Azerbaijan is one of the main initiators of billion invested in projects and the projects have been successfully completed. These projects include East-West", "North-South" transport corridors, Baku-Tbilisi-Ceyhan oil, Baku-Tbilisi-Erzurum gas pipeline, one of the priority energy projects for the European Union (Shah Deniz-2, the expansion of the South Caucasus pipeline), Southern Gas Corridor.

The regional projects initiated by Azerbaijan such as the Baku-Tbilisi-Kars railway, the New Baku International Sea Trade Port, and the construction of a railway between Azerbaijan and Iran, show new achievements in the development of transregional infrastructure.

Azerbaijan strengthened its position as a major investor and become one of the leading countries in the CIS in terms of the volume of investments in foreign economies in the region. According to the reports of the world's leading economic research centers, our country is characterized as a country that has become a geographical center of investment in the region.

Currently, work is underway to attract foreign investors to the liberated territories, and a number of countries are closely involved in the restoration of territories and the implementation of infrastructure projects.

Besides the infrastructures of state economy, such as energy, communication, education, and health care, the transport also

plays an important role for achieving social, economic, foreign policy and other public priorities by ensuring initial demands of community life.

The dynamic development gained in all spheres of public life in our country in recent years increased significantly the geopolitical significance of our republic. Along with all of these, important tasks such as active participation in socio-economic processes in the global economic space, effective access to foreign markets, and the forming of a competitive national industry have become a necessity. The issues such as globalization, rapid integration and sustainable development etc. which are typical for modern era have also specific importance for our country.

Today, the transport sector has a special place in the rapid and comprehensive development of the country's economy. This sector covers activities in the field of production, distribution and consumption of products and services. This sector has an undeniable role in all economic activities at the same time.

The expansion of economic connections among the countries of the world and the acceleration of integrative processes have confirmed that the transport system is one of the main pillars of the national economy of each country. Researchers who are engaged with clarification of the socio-economic nature of transport services proved that this system is an important condition for large-scale reproduction. From this view, during the

large-scale radical reforms in the economy, it is significant to formulate and implement a policy that takes into account the specifics of transport, its role in economic and social processes. That's why the sustainable development of the transport system requires a large amount of capital investment, the construction, and reconstruction of a large number of major transport hubs.

Currently, along with all spheres of life in the country, special attention is paid to the systematic and comprehensive development of the road industry. Consequently, today the renewal and modernization of the road industry of our republic are expanding and construction programs aimed at increasing the strength and power of our state, improving the welfare of our people are successfully continuing.

During the last years, all planned infrastructure projects and social programs in Azerbaijan were completed successfully. In addition, projects such as the reconstruction of the road sector, construction of new roads, an overhaul of existing roads, which are important areas of social infrastructure, have been successfully continued. Numerous overpasses, bridges, tunnels, underpasses, and overpasses were built in the capital and regions.

Currently, Azerbaijan is implementing infrastructure projects to create the North-South and East-West international transport corridors. Work is underway to complete the following important projects to turn Azerbaijan into an international transport hub.



According to the report of the World Economic Forum, in terms of the state of roads, Azerbaijan ranking first in the CIS and has shown the highest result. Azerbaijan is ranked 10th on the Asian continent and 24th among 141 countries (2021).

Currently, in the liberated territories, work is underway to build road infrastructure.

The “Road to Victory” corridor extends from the Hajigabul-Minivan-Zangezur corridor to the city of Shusha that founded on November 16, 2020. The length of the road is 101 kilometers. Zangilan-Horadiz highway which is another important project and has great strategic importance, construction process continues. The total length of this road is 124 kilometers and consists of 4-6 lanes. The construction of the Hadrut-Jabrayil-Shukurbayli highway also started. The beginning of this road starts from Hadrut settlement of Khojavend region and passes through Shukurbayli village and Jabrayil region. The length of the road is 43 kilometers. One of the road infrastructure projects implemented in the liberated areas is the Barda-Agdam highway. This road starts from the city of Barda. The length of this road, called Barda-Agdam, is 44.5 kilometers. One of the road infrastructure projects implemented in the liberated areas is the Khudaferin-Gubadli-Lachin and Khanlig-Gubadli highways.

The length of the Khudaferin-Gubadli-Lachin highway will be 66 kilometers. This road will be separated from the Khanlig settlement and a new 17-kilometer highway will be built in Gubadli. The total length of the designed roads is 83 km.

In addition, the 29-kilometer-long Tartar-Chayli-Sugovushan-Talysh highway was restored.

Railways are one of the important areas of the developed transport system in our country.

Currently, our republic, located in a favorable geographical area, is actively involved in the implementation of all international and regional projects.

In recent years, intensive work has been done to improve the railway transport system in terms of its expansion, modernization, and renewal of the railway with international standards. This process aimed to improve the country's railway network. Therefore, Azerbaijan's active participation in the implementation of international and regional transport corridors, Baku-Tbilisi-Kars and North-South projects has also been ensured.

Currently, restoration of the railway network in the liberated territories continues.

The 100-kilometer Horadiz-Agband railway will play an important role in accessing the liberated territories. At the same time, this railway will allow for the establishment of a direct railway connection between the main part of Azerbaijan and the Nakhchivan Autonomous Republic through the Zangazur corridor.

In addition, the 45-kilometer-long Barda-Agdam railway reconstructing again.

In order to get advantages from maritime transport, investments are being made in a number of countries around the world. The Baku International Sea Trade Port started its operation in 2018. Along with port operations in Azerbaijan and abroad, the modernity and high carrying capacity of ships are some of the important contexts.

Currently, along with the transport fleet, Azerbaijan Caspian Shipping Company CJSC includes specialized fleet and ship repair plants. Our transport fleet consists of 51 ships, including 20 tankers, 13 ferries, 15 universal dry cargo ships, 2 Ro-Ro ships, as well as 1 technical ship and 1 floating workshop. The specialized fleet consists of 204 ships.

One of the important areas of the transport system is air transport. In the last years, 7 airports have been built or reconstructed in the country. Currently, there are six international airports (Baku, Nakhchivan, Ganja, Lankaran, Gabala, Zagatala) in the country.

Azerbaijan's GDP totaled \$54.62 billion in 2021, an increase of 5.6 percent from 2020. During this period, the country's non-oil GDP increased by 7.1% and oil GDP increased by 1.8%. In 2021, 37.8% of Azerbaijan's GDP came from energy, 10.1% from international trade, 5.9% from agriculture, forestry and fishing, 6.9% from transportation, 5.9% from construction, 1.8% from information and communication, and 1.3% from tourism. In 2021, Azerbaijan reported a foreign trade decrease of 26% of \$24.4 billion. At the same time, the country also reported an overall increase in total net exports, with exports increasing by 60% year-on-year to \$22.20 billion, and imports increasing by 9% to \$11.70 billion. Top imports are iron and steel, machinery, vehicles, and food products (mostly meat and dairy). The trade turnover between the United States and Azerbaijan was \$518 million 2021, a 21% decrease year-on-year. Azerbaijan's top export destinations in 2021 were Italy, Turkey, Russia, and China.

Azerbaijan's economy is anchored in oil and gas production, which accounted for roughly 40% of the country's GDP and over 80% of export revenue in 2021. In January 2021, the Southern Gas Corridor (SGC) pipeline became fully operational, delivering Azeri gas to Turkey and onwards to European markets. Azerbaijan has significant wind and solar potential, and the Azerbaijani government is working to expand its renewables sector. By 2030, Azerbaijan plans to install 1500 MW in renewables capacity, in part to support future export of green electricity and green hydrogen to European markets.

Currently, work is underway to restore Azerbaijan's newly recovered territories. In 2021 the government allocated \$1.5 billion for reconstruction works, including restoration of damaged infrastructure (electricity, gas, water, communications, roads, education, health, etc.), as well as cultural and historical monuments.

Azerbaijan continues to promote diversification of its economy away from hydrocarbons, and is looking to increase the agriculture, logistics, tourism, and information/communication technology (ICT) sectors. Azerbaijan is also taking steps toward more sustainable energy production, particularly in the newly returned territories.

The government heavily subsidizes machinery and other agricultural inputs, targeting hazelnuts, rice, citrus fruits, tea, tobacco, and cotton. Azerbaijan has also launched a series of projects to develop north-south and east-west trade and transit corridors to turn the Port of Alat (Baku International Sea Port) and the adjacent Free Trade Zone (FTZ) into regional logistics and transportation hubs. To promote tourism, the government has waived visa requirements for several countries and simplified the application process, enabling U.S. citizens to apply for and receive an e-visa online within three hours by paying an expedite fee. The government has also created several high-tech parks as part of its effort to bolster the ICT sector.

Azerbaijan's hydrocarbon sector presents opportunities for U.S. companies, particularly service providers. The Azerbaijani Government and BP have extended the Production Sharing Agreement (PSA) for the Azeri-Chirag-Gunashli group of oil fields in the Caspian Sea, establishing the base for future exploration and investment in the country's largest oil development.

Azerbaijan is also seeking to diversify its economy by targeting the agriculture, ICT, transportation, and tourism sectors. U.S. suppliers of agricultural equipment, fertilizers, seeds, pesticides, and animal genetics benefit from government-funded agricultural subsidies. U.S. producers of fertilizers and pesticides, however, have limited market share, despite demand for high-quality products as the government seeks to increase yields.

The "Alat" Free Economic Zone located next to Port of Baku offers companies tax and customs exemptions as well as a simplified permit process to encourage value-added production in Azerbaijan.

Through a series of production sharing agreements (PSAs) signed in the mid-1990s, Azerbaijan succeeded in attracting significant foreign investment from major international oil companies (IOCs). In 1994, a consortium of IOCs led by BP and the Azerbaijani government agreed to the "Contract of the Century" for the development of the Azeri-Chirag-Deepwater Gunashli (ACG) oil field, Azerbaijan's main source of oil for export. The ACG field is responsible for about 65% of the

country's current oil production. The Baku-Tbilisi-Ceyhan (BTC) pipeline is Azerbaijan's main export route for oil, with smaller volumes transiting through Georgia to the Black Sea. IOCs continue to explore other hydrocarbon prospects in Azerbaijan's portion of the Caspian Sea. Azerbaijan's state oil company SOCAR has stakes in all PSAs.

More recently, Azerbaijan has also become a significant natural gas producer. Azerbaijan's largest gas development is the BP-operated Shah Deniz field, which supplies gas for the SGC pipeline to Europe. SGC is comprised of three parts: the South Caucasus Pipeline Expansion (SCPX), which runs from the Sangachal gas terminal near Baku to Azerbaijan's border with Georgia; the Trans Anatolian Pipeline (TANAP), which runs from Turkey's border with Georgia to Turkey's border with Greece; and the Trans Adriatic Pipeline (TAP), which runs from Greece's border with Turkey across Albania and under the Adriatic Sea to Puglia, Italy. SGC became fully operational in January 2021, supplying 6 billion cubic meters of gas per year (bcma) to Turkey, 8 bcma to Italy, and 1 bcma each to Greece and Bulgaria.

Azerbaijan has designated agriculture as one of four priority sectors for diversifying its economy. Agriculture is Azerbaijan's largest employer, employing 37% of the population but accounting for only 7% of GDP. Azerbaijani produce has strong brand recognition in post-Soviet markets and often sells at a premium. The government supports the agricultural sector through grants, tax exemptions, and machinery, pesticides, and fertilizers

subsidies. Machinery subsidies have supported sales of U.S. combines, tractors, harvesters, and irrigation equipment.

Azerbaijan's food processing equipment and packaging facilities are outdated and hinder development. This creates opportunities for U.S. equipment producers to support food processing modernization. U.S. companies and investors are advised to work with established firms with a proven market track record.

Post-Soviet land reforms parceled small land plots of roughly two to five acres out to individual farmers, creating a structural impediment to larger-scale agriculture, mechanization, and consolidation. Inadequate record keeping and land titling have further complicated lending to farmers who are unable to prove a legal right to the land they cultivate. The degradation of Soviet-era irrigation systems caused the salinization of large areas of farmland, which will require significant investments to repair, potentially opening a niche market in land restoration. A lack of trained agricultural experts and specialists also poses significant challenges to agricultural development. The Azerbaijan State Agricultural University, located in Ganja, is the only university that specializes in agriculture. Like other sectors in the Azerbaijani economy, a handful of large enterprises with connections to the central government distort the market.

Azerbaijan requires import licenses for food products of animal origin. The Food Safety Agency issues licenses for these



products. To protect and spur domestic production, the government in 2016 increased import fees for certain agricultural and construction products.

Information and communications technology (ICT) is one of the four target sectors for economic diversification. The government established several technological parks throughout the country that offer tax breaks and exemptions for companies. These incentives include profit, land, and property tax breaks and VAT exemptions on imports for the first seven years after a company begins operations at the technological park. The government is also investing in ICT to create “smart villages” in the newly returned territories. Despite these projects and government plans to liberalize the telecommunications sector, the regulatory framework governing telecommunications and information technology requires further improvement.

Similar to other sectors, intellectual property protection is weak in the IT industry, as the ability to control or protect intellectual property rights in the private sector is constrained. Several large multinational companies have expressed concerns about unlicensed software in both the public and private sectors.

E-governance has been a successful area of collaboration between businesses and the Government of Azerbaijan. The State Tax Service has moved tax payments online, the Customs Committee has introduced electronic application and payment services, and the “Asan İmza” mobile electronic signature

technology enables the use of mobile phones as an electronic identity card and means of signing documents.

Azerbaijan has been actively developing its satellite services to build its regional commercial telecommunications capacity. Azercosmos, Azerbaijan's space agency, is a quazi-governmental organization that successfully obtained and launched U.S.-produced telecommunications satellites in 2013 and 2018 and a French-made geo mapping satellite in 2021. Additionally, cybersecurity, personal data protection, and data analytics have been high-interest topics in Azerbaijan for the last few years.

Azerbaijan's tourism sector strategy emphasizes event tourism, such as hosting business conferences and international sporting events. The expansion of airline destination offerings and simplified visa procedures have also increased tourism in Azerbaijan.

To attract more tourists to Azerbaijan, the government simplified the visa regime, creating the "ASAN" Visa System to process electronic visas within three days of application (three hours with payment of an expedite fee) for citizens of eligible countries, including the United States. A February 2017 presidential decree created "fast-track" routes, including adding ASAN payment and visa terminals, for entry to Azerbaijan at border checkpoints from the bordering countries Georgia, Iran, Russia, and Turkey. In 2018, the Ministry of Culture created an independent State

Tourism Agency to improve state governance in tourism and culture.

As with other sectors, the hospitality industry in Azerbaijan is dominated by a small number of large holding companies. Several well-known western chains operate in Baku, focusing on affluent tourists, business travelers, and large-scale conferences and sporting events. The Central Bank of Azerbaijan estimates that 33.5 percent of all tourist services provided in the country were for business travelers.

Since 2012, Azerbaijan has focused on development of the event tourism industry. That year, the country hosted the Eurovision Song Contest and FIFA's U-17 Women's World Cup. In 2015, Azerbaijan hosted the first-ever European Games. In 2016, Baku hosted the first of five Formula One Grand Prix events at the Baku City Circuit and hosted the Islamic Solidarity Games in May 2017. In 2021, Baku hosted multiple matches for the UEFA soccer championship. Baku continues to host the Formula One Grand Prix, and the contract will be up for renewal in 2023. In 2024, Azerbaijan will host the international Nomad Games. Although new ski facilities have opened in the Gusar and Gabala regions in the last four years.

## Geography

Geographically, Azerbaijan is located in the South Caucasus region of Eurasia, straddling Western Asia and Eastern Europe. It lies between latitudes 38° and 42° N, and longitudes 44° and 51° E. The total length of Azerbaijan's land borders is 2,648 km (1,645 mi), of which 1,007 km (626 mi) are with Armenia, 756 km (470 mi) with Iran, 480 kilometers with Georgia, 390 km (242 mi) with Russia and 15 km (9 mi) with Turkey. The coastline stretches for 800 km (497 mi), and the length of the widest area of the Azerbaijani section of the Caspian Sea is 456 km (283 mi). The country has a landlocked exclave, the Nakhchivan Autonomous Republic.

Since the independence of Azerbaijan in 1991, the Azerbaijani government has taken measures to preserve the environment of Azerbaijan. National protection of the environment accelerated after 2001 when the state budget increased due to new revenues provided by the Baku–Tbilisi–Ceyhan pipeline. Within four years, protected areas doubled and now make up eight percent of the country's territory. Since 2001 the government has set up seven large reserves and almost doubled the sector of the budget earmarked for environmental protection.

Azerbaijan is home to a wide variety of landscapes. Over half of Azerbaijan's landmass consists of mountain ridges, crests, highlands, and plateaus which rise up to hypsometric levels of 400–1000 meters (including the Middle and Lower lowlands), in

some places (Talis, Jeyranchol-Ajinohur and Langabiz-Alat foreranges) up to 100–120 meters, and others from 0–50 meters and up (Qobustan, Absheron). The rest of Azerbaijan's terrain consists of plains and lowlands. Hypsometric marks within the Caucasus region vary from about –28 meters at the Caspian Sea shoreline up to 4,466 meters (Bazardüzü peak).

The formation of climate in Azerbaijan is influenced particularly by cold arctic air masses of Scandinavian anticyclone, temperate air masses of Siberian anticyclone, and Central Asian anticyclone. Azerbaijan's diverse landscape affects the ways air masses enter the country. The Greater Caucasus protects the country from direct influences of cold air masses coming from the north. That leads to the formation of subtropical climate on most foothills and plains of the country. Meanwhile, plains and foothills are characterized by high solar radiation rates.

Rivers and lakes form the principal part of the water systems of Azerbaijan, they were formed over a long geological timeframe and changed significantly throughout that period. This is particularly evidenced by remnants of ancient rivers found throughout the country. The country's water systems are continually changing under the influence of natural forces and human-introduced industrial activities. Artificial rivers (canals) and ponds are a part of Azerbaijan's water systems. In terms of water supply, Azerbaijan is below the average in the world with approximately 100,000 cubic metres (3,531,467 cubic feet) per year of water per square kilometer. All big water reservoirs are

built on Kur. The hydrography of Azerbaijan basically belongs to the Caspian Sea basin.

The Kura and Aras are the major rivers in Azerbaijan. They run through the Kura-Aras Lowland. The rivers that directly flow into the Caspian Sea, originate mainly from the north-eastern slope of the Major Caucasus and Talysh Mountains and run along the Samur–Devechi and Lankaran lowlands.

Yanar Dag, translated as "burning mountain", is a natural gas fire which blazes continuously on a hillside on the Absheron Peninsula on the Caspian Sea near Baku, which itself is known as the "land of fire." Flames jet out into the air from a thin, porous sandstone layer. It is a tourist attraction to visitors to the Baku area.

## **Agriculture in Azerbaijan**

In the early 1990s, Azerbaijan's agricultural sector required substantial restructuring if it was to realize its vast potential. Prices for agricultural products did not rise as fast as the cost of inputs; the Soviet-era collective farm system discouraged private initiative; equipment in general and the irrigation system, in particular, were outdated; modern technology had not been introduced widely; and administration of agricultural programs was ineffective.

Most of Azerbaijan's cultivated lands, which total over 1 million hectares, are irrigated by more than 40,000 kilometers of canals and pipelines. The varied climate allows for the cultivation of a wide variety of crops, ranging from peaches to almonds and from rice to cotton. In the early 1990s, agricultural production contributed about 30 to 40 percent of Azerbaijan's net material product, while directly employing about one-third of the labor force and providing a livelihood to about half the country's population. In the early postwar decades, Azerbaijan's major cash crops were cotton and tobacco, but in the 1970s grapes became the most productive crop. An anti-alcohol campaign by Moscow in the mid-1980s contributed to a sharp decline in grape production in the late 1980s. In 1991 grapes accounted for over 20 percent of agricultural production, followed closely by cotton.

Production of virtually all crops declined in the early 1990s. In 1990 work stoppages and anti-Soviet demonstrations contributed to declines in agricultural production. The conflict in Nagorno-

Karabakh, the site of about one-third of Azerbaijan's croplands, substantially reduced agricultural production beginning in 1989. In 1992 agriculture's contribution to NMP declined by 22 percent. This drop was attributed mainly to cool weather, which reduced cotton and grape harvests, and to the continuation of the Nagorno-Karabakh conflict. The conflict-induced blockade of the Nakhichevan Autonomous Republic also disrupted agriculture there.

An estimated 1,200 state and cooperative farms are in operation in Azerbaijan, with little actual difference between the rights and privileges of state and cooperative holdings. Small private garden plots, constituting only a fraction of total cultivated land, contribute as much as 20 percent of agricultural production and more than half of livestock production. Private landholders do not have equal access, however, to the inputs, services, and financing that would maximize their output.

The Ministry of Agriculture of Azerbaijan runs procurement centers dispersed throughout the country for government purchase of most of the tobacco, cotton, tea, silk, and grapes that are produced. The Ministry of Grain and Bread Products runs similar operations that buy a major portion of grain production. The remaining crops are sold in the private sector.

The Azerbaijani government tries to play an active role in the development of agriculture. For this purpose, it applies various



measures including import substitution, tax exemptions, subsidies of machinery (combines, tractors, harvesters, and irrigation equipment), pesticides, and fertilizers. Land improvement, support and development of rural infrastructure, development of villages, and improvement of agricultural management are considered to be part of government support in the agricultural sector. As a result of these promotions, the Azerbaijani government aims to increase productivity, technical and technological renewal, growth and diversification of agricultural exports, an efficient organization of state support, improvement of the mechanism for subsidizing, development of large farms, provision of support to small farms, etc.

According to the statistics of 2013, there were 871,220 rural farms and households, 2,343 agricultural enterprises, 2,593 farms of individual entrepreneurs, and 531 ventures that operate in the agricultural sector of Azerbaijan.

In 2012, the state allocated 468.2 million AZN (US\$596.4 million) to the agricultural sector. In 2011, this number was 444.7 million AZN (around US\$566.5 million). It was estimated that in 2012, \$247 was spent from the state budget per hectare of land suitable for agricultural production, including both crops and livestock. Additionally, the volume of direct and indirect subsidies allocated by the government to the agriculture sector in 2012, was around 611 million AZN (more than US\$778.3 million- 100 US Dollars = 78.5000 Azerbaijani Manats on 12/31/2012).

The overall funds allocated from the state budget to the agro-industrial complex was 878.9 million AZN in 2011–2012. 485.7 million AZN which was accounted for 55.3 percent of total funds spent on the agro-industrial complex from the state budget was due to loans provided under state guarantee and irrigation and water management. 13.7 percent of this fund was in the form of direct subsidies, 9 percent on soft loans, 6.3 percent on fertilizers, machinery, and breed animals, 4.4 percent on forestry, fishing, hunting, and environmental measures, and so on.

As a direct result of state intervention in the agricultural sector, in January 2013, agricultural production increased 4.5 percent in Azerbaijan to 187.5 million AZN (growth in vegetable and crop production by 4.9 percent and in livestock by 4.5 percent). The exports of agricultural products (fruit and vegetable) from Azerbaijan amounted to US\$276.7 million in January–June 2018 and it was 27 percent more than in 2017.

For 2019, the farmers will be provided with loans worth 10 million AZN to through the State Service on Management of Agricultural Projects and Credits under Azerbaijan's Agriculture Ministry.

The Food Safety Agency of the Republic of Azerbaijan which is a central executive authority is an additional attempt of the Azerbaijani government in order to develop agriculture further. The Agency regulates food safety standards (preparation and adoption of sanitation norms and hygiene standards), implement

risk assessment, formal registration of agricultural products, and the materials that used for packaging. Moreover, it issues food safety certificates to exported food products, carries out state control over food safety, and protects the rights of consumers of agricultural products at all stages of the food supply chain.

On August 19, 2019, President Ilham Aliyev has signed a decree on the application of the Law of the Republic No. 1617-VQ dated June 27, 2019 "On Agricultural Insurance" and the establishment of the Agrarian Insurance Fund.

# Music

## Mugham

Azerbaijani classical music of Azerbaijan, known as mugham (accurately spelt muğam), is usually a suite with poetry and instrumental interludes. The sung poetry sometimes includes a form of throat singing similar to yodelling. Typically about divine love, the poetry is most often linked to Sufism.

Unlike Central Asian mugham, the Azeri form is less rigid (comparable to improvised jazz). UNESCO proclaimed Azerbaijani mugham a Masterpiece of the Oral and Intangible Heritage of Humanity on 7 November 2003. New York Times music critic Jon Pareles called Mugham singer Alim Qasimov "one of the greatest singers alive".

An annual Mugham Festival is held in Shaki. Held in Shusha until 1988, it was moved to Shaki in November 1994 because of the First Nagorno-Karabakh War.

## Meykhana

Meykhana is an Azerbaijani literary and folk rap tradition . consisting of an unaccompanied song performed by one or more people who improvise on a subject. Its name derives from the

Turkish meyhane (tavern, pub) . Since the Middle Ages, poets have gathered in meyhanes to exchange verses extemporaneously; their audience would decide which poet had improvised the most elegant, clever verses.

## Instruments

Azerbaijani musical instruments include fourteen string instruments, eight percussion instruments and six wind instruments. Traditional stringed instruments include the tar (skin-faced lute), kamancha (skin-faced spike fiddle), oud (originally barbat), and saz (long-necked lute). The balaban is a double-reed wind instrument, and percussion instruments include the ghaval and daf frame drums; the cylindrical, double-faced naghara, and the larger davul. Other instruments include the garmon (a small accordion) and tutek (whistle flute).

## Ashiqs

Ashiqs are traveling bards who sing and play the saz, a type of lute. Their songs are partially improvised around a common base. The Ashiq tradition in the Turkic cultures of Anatolia, Azerbaijan and Central Asia has its origins in ancient shamanism.

## **Restoration of Great Silk Road**

An international conference on the restoration of the Great Silk Road was held in Baku on September 7-8 1998 on the initiative of national leader Heydar Aliyev. It was attended by presidents of 9 countries (Azerbaijan, Turkey, Georgia, Ukraine, Moldova, Romania, Bulgaria, Uzbekistan and Kyrgyzstan), and representatives of 13 international organizations and high-level delegations from 32 countries. The conference ended with the signing of the Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor within the EU's TRACECA programme and the adoption of Baku Declaration.

In accordance with the provisions of the Basic Multilateral Agreement, a decision was made to establish the Permanent Secretariat of TRACECA Intergovernmental Commission in the city of Baku. The headquarters of the Permanent Secretariat were inaugurated on February 21 2001. By contributing to the restoration of the historic Great Silk Road, Azerbaijan has played a crucial role in determining main development trajectories. Azerbaijan is presently a participant of the Silk Road Economic Belt initiated by China. A memorandum of understanding on joint encouragement of the establishment of the Silk Road Economic Belt was signed between the Government of Republic Azerbaijan and the Government of the People's Republic of China during President Ilham Aliyev's state visit to China in December 2015.

## Baku-Tbilisi-Kars transport corridor linking Europe with Asia

Commissioned on October 30 2017, the Baku-Tbilisi-Kars railroad is designed to restore the Great Silk Road through linking the Trans-European and Trans-Asian railroad networks.

An agreement on construction of the Baku-Tbilisi-Kars railroad was signed in Tbilisi, Georgia, on February 7 2007, on the initiative of President of the Republic of Azerbaijan Ilham Aliyev. The groundbreaking ceremony of the railroad was held in Marabda, Georgia, in November of the same year. In July 2008, the inauguration ceremony of the Kars-Georgia border stretch of the railroad took place in Kars. A 504km-long stretch of the railroad, which is 850km in length, runs through the territory of Azerbaijan. A 263km-long portion runs through Georgia, while a 79km-long section through Turkey. The Baku-Tbilisi-Kars reduces transit time between China and Europe, which makes it more than twice faster than the sea route. The railroad, which contributes to stability and security, is expected to have an annual capacity of 5 million tons of freight at the initial stage. And the capacity will then reach 17 million tons and even more in the future.

The construction of the project on the historic Great Silk Road increases its attractiveness for regional countries and at the same time provides easy access to the European and world markets for the Central Asian countries – Turkmenistan, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, as well as Afghanistan. It plays a crucial role in developing their trade relations and boosting and integrating their economies.

One of the main advantages of Baku-Tbilisi-Kars project is that Azerbaijan gets a direct railway link with Turkey through the territory of Georgia. This, in turn, contributes to strengthening relations between the two states. Another advantage is that project stretches up to Nakhchivan Autonomous Republic. It is planned to build a separate railroad from Kars to Nakhchivan which will lift the Armenian blockade of the autonomous republic and ensure its transportation independence.

Created in Alat settlement in Garadagh district, Baku, under instructions of President Ilham Aliyev, the Free Trade Zone, which also covers the territory of the Baku International Sea Trade Port, will play a crucial role in transforming Azerbaijan into an international transport hub. Apart from playing a leading role in international cargo transportation and Europe-Asia logistics chains, the Free Trade Zone will significantly contribute to promoting the local production and ensuring the recognition of "Made in Azerbaijan" brand worldwide. The Free Trade Zone is expected to serve a market with a total population of 130,000,000 people and covering the Southern Caucasus, Central Asia, Russia and a part of Turkey.

North-South Transport Corridor which connects Northern Europe and South Asia

Azerbaijan plays an active role in creating the North-South Transport Corridor in accordance with the "Strategic Road Map



for Development of Logistics and Trade in the Republic of Azerbaijan". This transforms the country into a key transport and logistics hub at the intersection of two transcontinental corridors at the center of Eurasia. The North-South Transport Corridor will link India, Pakistan, Iran, Azerbaijan, Russia and Northern Europe.

Azerbaijan is the only country in the world, which has land borders with both Russia and Iran, and this geographic location is of crucial importance to developing trilateral regional cooperation.

Work to establish the Azerbaijani section of the North-South Transport Corridor has already entered the final phase. An important part of the corridor – a section stretching from the Azerbaijan-Russia border to the Azerbaijan-Iran border – is fully ready for use. In addition, Azerbaijan also participates in financing the construction of Astara-Rasht-Gazvin railroad in the territory of Iran. Azerbaijan plans to grant a \$500 million loan to Iran for the construction of Astara-Rasht railroad and its logistics.

In accordance with the strategic road maps, Azerbaijan will get the following shares through increasing the volume of transit trade in the region until 2020:

- 40 per cent on the Central Asia and Black Sea route;
- 25 per cent on the Central Asia and Europe route;

- 3 per cent on the China and Europe route;
- 40 per cent on the Russia and Iran route;
- 25 per cent on the Iran and Black Sea route.

There are also plans to integrate the North-South and Baku-Tbilisi-Kars transport corridors. Azerbaijan is an active participant in both projects. This will benefit China, Kazakhstan, Central Asian countries, Azerbaijan, Georgia, Turkey and Europe.

The process of transforming Azerbaijan into an international transport hub continues in the following directions:

- development of economic, trade, transport and logistic relations between European, Black Sea, Caucasus, Caspian and Central Asian regions;
- development of the shortest multimodal land corridors between China and the EU;
- creation of the North-South Transport Corridor;

- attraction of transit cargo as part of the Great Silk Road;
- considerable improvement of logistic and trade infrastructure and Azerbaijan's transformation into an even more attractive hub in this area through the regulatory stimulus;
- digitalization of the Great Silk Road through Azerbaijan's Digital Transport Network and TASIM projects;
- coordination of relations between different transport areas;
- coordinated policy concerning international and domestic tariffs on cargo and passenger transportation;
- development of the coordinated activity programs on the organization of multimodal transportation, etc;

The commissioning of new international airports and construction of new roads across Azerbaijan, the country's leading role in implementing regional projects, as an integral component of Azerbaijan's purposeful policy, on the one hand, contributes to the development of domestic transport infrastructure, and on the other, transforms the country into Eurasia's transport hub.



## Oil sector

To turn an independent Azerbaijan into a modern, powerful state with sustainable economic development, national leader Heydar Aliyev determined the oil strategy, which would lie at the heart of the fundamental transformation of the future political and economic reforms. This strategy ensured the involvement of foreign investors in the development of Azerbaijan's oil fields, diversification of routes of transportation of crude oil, effective management of oil revenues and Azerbaijan's entry into a new stage of development.

Under the leadership of national leader Heydar Aliyev, one of the landmark agreements in Azerbaijan's 20th-century history due to its political, economic and strategic importance - the Agreement on the Joint Development and Production Sharing for the “Azeri” and “Chirag” Fields and the “Gunashli” Field in the Azerbaijani Sector of the Caspian Sea - "The Contract of the Century" was signed on 20 September 1994.

The \$7.4 billion agreement involved 11 international oil companies (AMOCO, BP, McDermott, UNOCAL, SOCAR, Lukoil, Statoil, TPAO, Pennzoil, Ramco, Delta) representing seven countries (Azerbaijan, USA, UK, Russia, Turkey, Norway and Saudi Arabia) as contractor parties. They soon established several working structures - the Steering Committee, Azerbaijan

International Operating Company (AIOC) and the Advisory Council.

“The Contract of the Century” was ratified on 12 December 1994 by the Parliament of Azerbaijan.

Although according to initial evaluations, “Azeri”, “Chirag” fields and the deep-water part of “Gunashli” field had 511,000,000 tons of crude oil, further evaluations set oil reserves at 1,072,000,000 tons.

These large blocks of oil fields have been developed in three phases. The first oil from the "Chirag" platform was produced on 7 November 1997, and the following stages were successfully implemented.

New oil pipes were built and commissioned to implement the provisions of the contract on time and ensure transportation of the growing volumes of oil to the international markets:

- In late 1997, oil started to be exported to the Black Sea by Baku-Novorossiysk pipeline;

- In 1999, a pipeline from Baku to another Black Sea port – Supsa – was commissioned. The first tanker carrying Azerbaijani oil was sent to the world markets in December 1999;

- In 2002, the foundation of the Baku-Tbilisi-Ceyhan main oil pipeline was laid thanks to the continuous efforts of national leader Heydar Aliyev. Although provided for in the Contract of the Century, the pipeline was once considered a myth, and many believed it would remain on paper. The globally significant pipeline was a crucial step towards making Azerbaijan an energy corridor. The Baku-Tbilisi-Ceyhan oil pipeline was inaugurated with the participation of the President of the Republic Azerbaijan Ilham Aliyev on 25 May 2005. The first Azerbaijani oil was shipped from the Turkish port of Ceyhan in 2006.

In general, to deliver the Azerbaijani oil from the Caspian Sea to the world markets, pipelines with a total length of one-tenth of the length of the equator were constructed: Baku-Novorossiysk (1330 kilometers), Baku-Supsa (833 kilometers) and Baku-Tbilisi-Ceyhan (1768 kilometers).

As of the beginning of 2022, more than \$41 billion has been invested in developing the “Azeri-Chirag-Gunashli” fields. The block produced 546 million tons of oil and more than 49 billion cubic meters of associated gas, which were handed over to the government of Azerbaijan.

Under the Decree signed by President of the Republic of Azerbaijan Heydar Aliyev on 29 December 1999, the State Oil Fund of the Republic of Azerbaijan was established to ensure effective management of hydrocarbon revenues and fair distribution of oil among generations and to channel oil revenues into the development of priority areas. Thanks to the efficient and transparent management of revenues, the State Oil Fund has quickly become one of the world's most transparent funds and ensured long-term financial profits for the present and future generations.

On 14 September 2017, the amended and restated Azeri-Chirag-Gunashli Joint Development and Production Sharing Agreement was signed in Baku. That marked a new stage in the development of the “Azeri-Chirag-Gunashli” field. The new agreement was signed by officials of the Azerbaijani government, SOCAR, BP, Chevron, IMPEX, Statoil, ExxonMobil, TP, ITOCHU and ONGC Videsh companies. BP remained the project's operator under the amended and stated agreement, which was extended until 2049. SOCAR's shares increased from 11 to 25 percent, and Azerbaijan's direct share in profitable oil amounted to 75 percent. Subsequent to the new contract, an agreement was reached in 2019 on constructing an additional production platform in the contract area of the “Azeri-Chirag-Gunashli” fields' block.

The signing of the Contract of the New Century marked a new stage in Azerbaijan's oil strategy. It means the start of a new era in the history of modern Azerbaijan, additional guarantees for the



country's political and economic security, new investments, GDP growth, new jobs and improvement of social welfare.

By 2021, 37 "Production Sharing Agreements" have been signed with foreign oil companies.

Although the "Azeri-Chirag-Gunashli" fields were initially estimated to have 500 million tons of oil, the current assessment exceeds 1 billion tons.

On 18 October 2018, an inauguration ceremony of the Star Oil Refinery was held in the city of Izmir, Turkey. President of the Republic of Azerbaijan Ilham Aliyev and President of the Republic of Turkey Recep Tayyip Erdogan attended the ceremony. The processing capacity of the Star Oil Refinery is 10 million tons of crude oil per year. The refinery will produce diesel, jet fuel, light naphtha and other refined products. The plant can also fully meet Turkey's need for jet fuel.

Over the past period, Azerbaijan has become not only a supplier but also a reliable transit country. Countries on the eastern shores of the Caspian Sea transport their hydrocarbon resources to international markets through Azerbaijan. Russian companies also prefer to transport the oil produced from the Russian sector of the Caspian Sea to international markets via the Baku-Tbilisi-

Ceyhan pipeline. Azerbaijan also has the largest fleet in the Caspian Sea.

Azerbaijan's greater participation in international markets further increases the country's power.

In 2020, the “Karabakh” field went down in history as the first oil field discovered in the years of independence. The initial estimated geological reserves of the field are more than 60 million tons of oil.

On 21 January 2021, the Memorandum of Understanding was signed between the Government of the Republic of Azerbaijan and the Government of Turkmenistan on joint exploration and development of hydrocarbon resources of the “Dostlug” field in the Caspian Sea.

## Gas sector

One of the world's largest gas fields - “Shah Deniz”, was discovered by Azerbaijani geologists in the middle of the 20th century. However, due to the unavailability of the necessary technology, the exploitation of the field was halted, and its potential was not identified.

In 1996, a consortium established by SOCAR and international oil companies discovered large reserves in the gas field, and the result exceeded expectations. The field is estimated to contain gas reserves of 1.2 trillion cubic meters, and it is considered one of a few vast gas fields in the world.

In the following years, the discovery of “Umid” and “Absheron” fields confirmed Azerbaijan's possession of large gas fields. It opened a new page in the history of the natural resources of Azerbaijan.

In 2011, Azerbaijan and the European Commission signed a Joint Declaration on the Southern Gas Corridor project, which marked the initial stage of the project.

To start the second phase of the development of the “Shah Deniz” field, members of the consortium made another historic decision

in Baku on 17 December 2013. The signing ceremony was held with the participation of official representatives of a number of countries at the Heydar Aliyev Center. By the end of November 2021, approximately \$ 21 billion had been spent on the second phase of development of the “Shah Deniz” field, including the costs incurred prior to the final investment decision.

The idea of the Southern Gas Corridor became a reality thanks to Azerbaijan’s determination and leadership. On 29 October 2013, President of the Republic of Azerbaijan Ilham Aliyev signed an Order to establish a State Commission to protect Azerbaijan's interests in the Southern Gas Corridor project and provide state support to the project participants.

The ceremony of laying the foundation of the Southern Gas Corridor took place in Sangachal on 20 September 2014 - on the 20th anniversary of the Contract of the Century - with the participation of heads of state and government, ministers of Southeastern European countries, and chief executives of international companies.

Azerbaijan has become the initiator, shareholder and host country of the strategically important Southern Gas Corridor project. Turkey and Georgia were the first to join the initiative, and they were subsequently followed by Italy, Greece, Bulgaria and Albania. Currently, new and potential partners include Bosnia and Herzegovina, Croatia and Montenegro.

Azerbaijan is already exporting its gas to neighboring countries, and new pipelines have been built to start exporting it to the European market:

- In 2007, the Baku-Tbilisi-Erzurum gas pipeline (South Caucasus Gas Pipeline) was commissioned, and gas produced under the first phase of the Shah Deniz project is exported to Georgia, Turkey and Greece;

- In 2012, Azerbaijan and Turkey signed TANAP (Trans-Anatolian Natural Gas Pipeline) project on the initiative of President of the Republic of Azerbaijan Ilham Aliyev and then Prime Minister of the Republic of Turkey Recep Tayyip Erdoğan;

- In 2013, the Shah Deniz consortium chose the TAP (Trans Adriatic Pipeline) project, which will link the Turkey's border to the south of Italy to deliver the Azerbaijani gas to the European markets, the construction of the pipeline was completed in 2020.

These projects enable the implementation of the Southern Gas Corridor project by connecting the "Shah Deniz" gas field to the south of Italy.

TANAP, an essential part of the Southern Gas Corridor, officially inaugurated on 29 May 2018 at the Sangachal terminal, is an indispensable infrastructure project to address energy security issues.

Following the completion of the South Caucasus Pipeline Expansion project, one of the critical components of the Southern Gas Corridor, the transportation of commercial gas to Turkey within the framework of Shah Deniz-2, began on 30 June 2018.

On 12 June 2018, a grand ceremony was held in Eskisehir, Turkey, marking the launch of TANAP, Trans-Anatolian gas pipeline.

On 30 November 2019, the official opening of the TANAP-Europe connection was held in Ipsala settlement of Edirne province of Turkey, marking the completion of its construction.

Since 2015 an annual meeting of the ministers of the Southern Gas Corridor Advisory Council has been held.

Transportation of commercial natural gas has started on 31 December 2020 via the TAP pipeline, which transports Azerbaijani natural gas to Europe. Thus, Azerbaijan's rich gas reserves are delivered to the Turkish and European markets in diversified, short, and secure ways.

Azerbaijan's proven gas reserves are 2.6 trillion cubic meters, and estimated reserves are about 3 trillion cubic meters. The potential of the “Umid” field alone is more than 200 billion cubic meters. It will enable Azerbaijan to be regarded as a reliable supplier of hydrocarbon resources for the next 100 years.

Work on developing the D230 block and the “Shafag-Asiman” gas field is underway together with BP, the operator of the “Shah Deniz” and “Azeri-Chirag-Gunashli” projects. From 2023, Total will start gas production from the “Absheron” field, which has a gas potential of more than 300 billion cubic meters.

Azerbaijan's purposeful activity in the energy field has transformed the country into a regional energy hub.

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# The End